

WALLER LANSDEN DORTCH & DAVIS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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August 30, 2003

VIA HAND DELIVERY

Deborah Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

Re: Petition of Chattanooga Gas Company, Nashville Gas Company, a division of Piedmont Natural Gas Company, Inc. and Atmos Energy Corporation for a Declaratory Ruling regarding the Collectibility of the Gas Cost Portion of Uncollectable Accounts under the Purchase Gas Adjustment ("PGA") Rules
Docket No. 03-00209

Dear Chairman Tate:

Enclosed you will find four¹ (4) copies of Chattanooga Gas Company's Responses to Data Requests from the Consumer Advocate and Protection Division in the above referenced docket. Some of the responses contain confidential information which is filed under seal pursuant to the Protective Order filed in this docket.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

D. Billye Sanders emb

D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS/lmb
Enclosures

¹ The TRA Staff indicated that only 4 copies of the Responses to Data Requests needed to be filed with the TRA.

Chattanooga Gas Company
Docket 03-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003

Discovery Request No. 1

Provide all information related to monthly forfeited discounts, uncollectible revenue and net write-offs from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

Response:

Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome. The provision of "all information related to monthly forfeited discounts, uncollectible revenue and net write-offs" as requested, would require that each customer that paid a forfeited discount from October 1, 1997 through June 30, 2003 be identified by name, address, and account number; it would require a copy of the individual customers' bills that resulted in a forfeited discount be provided; and it would require identification of the amount of each discount that each individual customer failed to take from October 1, 1997 through June 30, 2003. Similarly to provide "all information related to" uncollectible revenue and net write-offs would require that each customer who defaulted on their account be identified by name, address and account number; it would be necessary to provide copies of the individual bills for each customer who failed to pay and whose account was subsequently written-off; and it would be necessary to provide copies of all letters and late notices issued to such customers, as well as all shut-off for non pay notices. All such information would include identification of each customer who paid after their account was written-off or whose account was subsequently reinstated, by name, address, and account number, the amount of any such payments as well as any payment or deposit arrangements. Subject to and without waiving the foregoing objection to this request, the Company is providing:

- a. The amount of forfeited discount revenue for each month October 1997- June 2003.
- b. Uncollectible revenue recorded for each month October 1997- June 2003.
- c. Net write-offs for each month October 1997-June 2003.

See Item 1 Attachment A

Chattanooga Gas Company
Docket 03-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003

Discovery Request No. 2

Provide monthly expenses recorded in Account 903 (Customer Records and Collection Expenses) listed by subaccount detail, by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

Response:

Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome. Subject to and without waiving the foregoing objection to this request, the Company is providing the following:

The requested information is not available for the period of October 1997-December 1998. The requested data is provided for the period of January 1999-July 2003 on Request Item 2, Attachment A.

Chattanooga Gas Company

Docket 03-00209

Consumer Advocate and Protection Division of the Office of The Attorney General

Discovery Request Docket Issued July 28,2003

Discovery Request Item No. 2 Attachemnt A.

	Account 600095 - Customer Records	Account 650200 - Customer Records	Account 650300 - Account Collection
Jan-99	\$19,353.50	\$11,177.02	\$3,622.81
Feb-99	\$20,200.70	\$7,287.88	\$5,360.61
Mar-99	\$20,943.48	\$8,225.96	\$6,491.30
Apr-99	\$23,693.19	\$7,422.90	\$8,409.90
May-99	\$23,992.51	\$9,345.04	\$5,330.71
Jun-99	\$21,868.12	\$9,201.97	\$5,213.60
Jul-99	\$20,529.57	\$7,693.48	\$4,159.84
Aug-99	\$17,774.55	\$7,598.08	\$2,872.90
Sep-99	\$21,465.39	\$10,399.46	\$2,860.20
Oct-99	\$23,139.33	\$357.23	\$575.06
Nov-99	\$19,077.55	\$2,000.00	\$1,557.81
Dec-99	\$20,969.95	\$4,937.02	
Jan-00	\$27,536.00	\$1,819.82	
Feb-00	\$30,811.70	\$120.27	
Mar-00	\$27,410.00	\$1,580.72	
Apr-00	\$27,488.00	\$1,719.48	
May-00	\$26,213.43	\$1,371.78	
Jun-00	\$27,654.97	\$396.56	
Jul-00	\$28,490.43		
Aug-00	\$26,886.00	\$2,985.32	
Sep-00	\$25,617.00	\$15.00	\$465.30
Oct-00	\$28,705.00	\$30.00	\$557.76
Nov-00	\$25,266.00	\$1,388.59	\$781.64
Dec-00	\$26,050.00	\$2,983.36	\$589.73
Jan-01	\$33,147.00	\$2,390.84	\$294.86
Feb-01	\$39,486.00	\$2,256.21	\$469.53
Mar-01	\$37,434.00	\$2,293.09	\$494.48
Apr-01	\$34,218.00	\$2,316.52	\$425.70
May-01	\$31,401.00	\$2,368.42	\$374.95
Jun-01	\$25,584.00	\$2,281.31	\$447.40
Jul-01	\$21,690.00	\$1,989.67	\$770.68
Aug-01	\$22,436.00	\$358.54	\$506.50
Sep-01	\$27,187.00	\$330.34	\$436.14
Oct-01	\$30,234.00	\$75.00	\$878.98
Nov-01	\$24,264.00	\$312.22	\$471.29
Dec-01	\$23,795.00	\$190.64	
Jan-02	\$29,229.92	\$392.81	\$8,145.61

Chattanooga Gas Company
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Discovery Request Item No. 2 Attachemnt A.

Feb-02	\$27,642.35	\$440.64	\$6,845.03
Mar-02	\$30,517.68	\$791.50	\$6,640.27
Apr-02	\$31,910.08	\$820.58	\$1,851.19
May-02	\$28,413.70	\$1,338.24	\$3,936.96
Jun-02	\$29,434.83	\$613.44	\$2,228.87
Jul-02	\$25,998.28	\$609.66	\$2,815.34
Aug-02	\$26,116.78	\$464.65	\$2,864.42
Sep-02	\$27,076.80	\$378.93	\$4,007.15
Oct-02	\$30,116.13	\$382.10	\$5,869.71
Nov-02	\$30,066.52	\$360.89	\$3,843.56
Dec-02	\$34,763.62	\$785.71	\$19,181.28
Jan-03	\$48,476.68	\$1,768.99	\$12,794.79
Feb-03	\$48,758.99	\$105.00	\$6,481.80
Mar-03	\$47,056.26	\$75.00	\$4,781.99
Apr-03	\$42,117.99	\$60.00	\$760.29
May-03	\$35,600.25	\$105.00	\$2,130.46
Jun-03	\$28,066.31	\$33.95	\$11,578.31
Jul-03	\$28,066.00	\$30.00	\$576.36
	<hr/>		
	\$1,561,441.53	\$126,776.83	\$161,753.07

Includes Call Center allocated costs.

Chattanooga Gas Company
Docket 03-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003

Discovery Request No. 3

Provide the number of SONP's (Shut-Off Due to Non-Payment) by month and by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

Response: SONP

Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome. Subject to and without waiving the foregoing objection to this request, the Company is providing the following:

Records prior to the implementation of the Automated Dispatch System (ADS) in 2000 have not been found that summarize the number of SONP worked each month. The requested information is available since the implementation of the ADS and is being provided. The numbers of SONP orders prepared (but not necessarily worked) for the 1998-99, and 1999-00 heating seasons were provided in a response to a TRA Data request in a previous docket. Summaries supporting the previously reported number of SONPs are no longer available. Those numbers, however, are included below.

	1998	1999	2000	2001	2002	2003
January		170	95	94	0	187
February		212	354	165	124	0
March		428	534	168	485	993
April		480	441	441	599	1,169
May				394	662	717
June				184	568	560
July				653	384	343
August				321	162	
September				141	133	
October			** 4	132	141	
November	*266	90	21	1	51	
December	57	64	0	0	60	

* SONP count for periods prior to October 2000 are from May 8, 2001 letter to TRA in docket 01-00147.

* *SONP count from October 2000 forward retrieved from Automated Dispatch System Records.

Chattanooga Gas Company
Docket 03-00209
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Discovery Request No. 4

Provide the amount of past due/delinquent accounts that have been collected by collectors, including outside collection agents and/or company personnel, by month, from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available. Provide detail by company personnel or collection agents.

Response:

Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome:

Records are not maintained in the normal course of business that allow the remittances for past due/ delinquent accounts to be separately classified as those collected by Company personnel and those collected by collection agencies. A payment on past due account remitted prior to the account being Shut-Off for No Payment (SONP), terminated, and written-off as uncollectible are handled in the same manner as payments remitted on or before the due date and are not specifically identified as collections on past due accounts. Amounts collected by outside collection agencies and company personnel for accounts that have been terminated and written-off as uncollectible can be identified from January 2000 forward. Such breakdowns of collections by outside agencies and company personnel for prior periods have not been located in the Company's records.

Subject to and without waiving the foregoing objection to this request, the Company is providing the follow summary that identifies the amounts collected by Company personnel and amounts collected by collection agencies for accounts classified as uncollectible and written-off from January 2000 through July 2003:

See Item 4 Attachment A.

Chattanooga Gas Company
Docket 03-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003
Discovery Request Item No. 4 Attachemt A.

Recovery of Bad Debts-Collection Agencies

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1997													
1998													
1999													
2000	3,099.55	623.07	1,751.31	2,694.53	1,619.56	3,780.95	2,785.79	3,831.12	4,767.76	9,376.37	8,609.08	3,187.77	
2001	1,441.13	1,091.56	1,906.91	1,067.07	1,006.09	3,527.20	2,714.02	2,864.93	3,838.76	5,493.16	3,398.44	5,838.13	
2002	10,940.58	3,570.50	7,055.20	6,676.90	4,493.09	2,929.96	3,495.56	2,893.07	3,964.44	3,367.17	6,811.06	6,819.60	
2003	1,559.56	3,556.34	2,169.53	1,945.79	1,715.71	2,823.75	3,489.20						

Recovery of Bad Debts-Cash collections and Reinstated Accounts- Company Personnel

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1997													
1998													
1999													
2000	11,447.98	9,742.49	4,989.01	53,519.41	9,163.22	8,621.49	6,248.76	15,458.21	34,665.77	59,048.89	50,869.77	19,433.81	
2001	12,610.61	9,739.42	12,953.00	5,903.34	11,722.22	17,360.72	11,680.17	46,434.39	91,373.16	152,300.47	73,144.61	43,094.43	
2002	38,988.55	52,204.50	16,165.91	12,375.58	9,801.70	6,931.56	9,437.69	13,021.26	23,006.30	52,886.66	54,951.13	21,294.42	
2003	24,991.82	12,189.98	10,224.27	5,687.77	12,133.06	88,390.45							

Chattanooga Gas Company
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Discovery Request No. 5.

Provide the number of employees detailed by job function charged to credit and collections, meter reading, customer service, call center or other customer contact positions (list by month and from the beginning of the attrition year in the company's latest rate proceeding through the latest month for which this information is currently available). List by job title, by month and by year.

Response:

Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome. Subject to and without waiving the foregoing objection to this request, the Company is providing the follow:

Virtually all employees of Chattanooga Gas Company are involved in customer contract in some manner. As a result, the Company is providing a list of employees by title for each quarter beginning September 1996 through July 2003. (Attachment A)

In addition, Call Center employees located in Georgia deal directly with Chattanooga Gas Company customers. Among other tasks these employees obtain the necessary information to establish customer accounts, determine deposit requirements, arrange budget billing programs, arrange payment plans, and deal with assistance agencies such as LIHEAP, etc. These employees are not specifically designated to work for an individual company but provide service to Chattanooga Gas Company, Atlanta Gas Light Company, and Virginia Natural Gas Company customers. In responding to this request these employees have been allocated on an employee equivalent basis for each month October 1997-June 2003. (Attachment B)

Chattanooga Gas Company
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Discovery Request Docket Issued July 28,2003
Discovery Request Item 5 Attachment A
Quarter.

4th 96

Count of ID	
Descr	Total
Administrative Assistant I	1
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	20
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Inactive Employee	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	4
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	83

Chattanooga Gas Company
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Discovery Request Item 5 Attachment A
Quarter
1st 97

Count of ID	
Descr	Total
Administrative Assistant I	1
Coordinator, Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	20
Field Service Rep B	1
Field Service Rep C	1
Foreman, Crew	6
Foreman, Pressure Control	1
Inactive Employee	1
Manager, Chattanooga	1
Manager, Cleveland	1
Meter Reader	4
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President, Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor, Distribution	1
Supervisor, Meter Reading	1
Supervisor, New Construction	1
Supervisor, Operations	1
Supervisor, Service	1
Welder	2
(blank)	
Grand Total	83

Chattanooga Gas Company
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Quarter.
2nd 97

Count of ID	
Descr	Total
Administrative Assistant I	1
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	20
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Inactive Employee	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	5
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	84

Chattanooga Gas Company
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Quarter.
3rd 97

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	20
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Inactive Employee	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	5
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	83

Chattanooga Gas Company
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Quarter.

4th 97

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	20
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Inactive Employee	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	7
Office Assistant I	4
Office Assistant II	3
Office Assistant III	1
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	86

Chattanooga Gas Company
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1st 98

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	20
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	7
Office Assistant I	4
Office Assistant II	3
Office Assistant III	1
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	85

Chattanooga Gas Company

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Consumer Advocate and Protection Division of the Office of The Attorney General

Discovery Request Docket Issued July 28,2003

Discovery Request Item 5 Attachment A

Quarter.

2nd 98

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	9
Office Assistant I	4
Office Assistant II	3
Office Assistant III	1
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	85

Chattanooga Gas Company
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3rd 98

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	7
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Manager,Chattanooga	1
Manager,Cleveland	1
Meter Reader	9
Office Assistant I	4
Office Assistant II	3
Office Assistant III	1
Operations Clerk	1
President,Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Meter Reading	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	85

Chattanooga Gas Company
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4th 98

Count of 11824	
Administrative Assistant I	Total
Coordinator, Construction	6
Crew Member I	2
Crew Member II(1)	4
Crew Member III(1)	3
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman, Crew	6
Foreman, Pressure Control	1
Manager, Cleveland	1
Meter Reader	9
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President, Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor, Distribution	1
Supervisor, Meter Reading	1
Supervisor, New Construction	1
Supervisor, Operations	1
Supervisor, Service	2
Welder	2
(blank)	
Grand Total	84

Chattanooga Gas Company

Docket 03-00209

Consumer Advocate and Protection Division of the Office of The Attorney General

Discovery Request Docket Issued July 28, 2003

Discovery Request Item 5 Attachment A

Quarter

1st 99

Count of ID	
Descr	Total
Administrative Assistant I	1
Coordinator, Construction	6
Crew Member II(1)	4
Crew Member II(2)	1
Crew Member III(1)	3
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman, Crew	6
Foreman, Pressure Control	1
Manager, General	1
Meter Reader	9
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President, Chattanooga Gas	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor, Distribution	1
Supervisor, Meter Reading	1
Supervisor, New Construction	1
Supervisor, Operations	1
Supervisor, Service	2
Welder	2
(blank)	
Grand Total	84

Chattanooga Gas Company
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2nd 99

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member II(1)	4
Crew Member III(1)	3
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Manager,General	1
Manager,Marketing/Rates	1
Meter Reader	7
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President,Chattanooga Gas	1
Rep,Firm Industrial	1
Rep,Major Accounts	1
Rep,Residential	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	2
Welder	2
(blank)	
Grand Total	83

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3rd 99

Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member II(1)	4
Crew Member III(1)	3
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Manager,General	1
Manager,Marketing/Rates	1
Meter Reader	7
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President,Chattanooga Gas	1
Rep,Firm Industrial	1
Rep,Major Accounts	1
Rep,Residential	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	2
Welder	2
(blank)	
Grand Total	83

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Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	6
Crew Member II(1)	4
Crew Member III(1)	3
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic C	1
Field Service Rep A	18
Field Service Rep B	1
Field Service Rep C	1
Foreman,Crew	6
Foreman,Pressure Control	1
Manager,General	1
Manager,Marketing/Rates	1
Meter Reader	7
Office Assistant I	4
Office Assistant II	3
Operations Clerk	1
President,Chattanooga Gas	1
Rep,Firm Industrial	1
Rep,Major Accounts	1
Rep,Residential	1
Stores Clerk I	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,New Construction	1
Supervisor,Operations	1
Supervisor,Service	2
Welder	2
(blank)	
Grand Total	83

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Count of 11824	
Administrative Assistant I	Total
Coordinator,Construction	4
Crew Member III(1)	2
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	14
Foreman,Crew	4
Manager,Marketing/Rates	1
Meter Reader	7
Office Assistant II	4
President,Chattanooga Gas	1
Rep,Major Accounts	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	56

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2nd 00

Count of 11041	
Coordinator,Construction	Total
Coordinator,Construction	3
Crew Member III(1)	2
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	5
Manager,Marketing/Rates	1
Meter Reader	5
Office Assistant II	5
President,Chattanooga Gas	1
Rep,Major Accounts	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	58

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3rd 00

Count of 11041	
Coordinator,Construction	Total
Coordinator,Construction	3
Crew Member III(1)	2
Crew Member III(2)	3
Distribution Operator(1)	6
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Marketing/Rates	1
Meter Reader	5
Office Assistant II	4
Rep,Major Accounts	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	55

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4th 00

Count of 11041	
Coordinator,Construction	Total
Coordinator,Construction	3
Crew Member III(1)	2
Crew Member III(2)	3
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Marketing/Rates	1
Meter Reader	4
Office Assistant II	4
Rep,Major Accounts	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	53

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Count of 11041	
Coordinator,Construction	Total
Coordinator,Construction	3
Crew Member III(1)	2
Crew Member III(2)	2
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Meter Reader	4
Office Assistant II	4
Rep,Major Accounts	1
Stores Clerk II	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	53

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3rd 01

Count of 11041	
Coordinator,Construction	Total
Coordinator,Construction	3
Crew Member III(1)	2
Crew Member III(2)	1
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Meter Reader	4
Office Assistant II	4
Rep,Major Accounts	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	51

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4th 01

Count of 12168	
Coordinator,Office Assistant	Total
Coordinator,Construction	4
Crew Member III(1)	2
Crew Member III(2)	1
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Meter Reader	4
Office Assistant II	4
Rep,Major Accounts	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	52

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1st 02

Count of 12168	
Coordinator,Office Assistant	Total
Coordinator,Construction	4
Crew Member III(1)	2
Crew Member III(2)	1
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Meter Reader	4
Office Assistant II	4
Rep,Major Accounts	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	52

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2nd 02

Count of 12168	
Coordinator,Office Assistant	Total
Coordinator,Construction	4
Crew Member III(1)	2
Crew Member III(2)	1
Distribution Operator(1)	5
Field Meter Mechanic A	3
Field Meter Mechanic B	1
Field Service Rep A	13
Foreman,Crew	4
LNG Plant Operator	3
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Meter Reader	4
Office Assistant II	4
Rep,Major Accounts	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	52

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3rd 02

Count of 12168	
Coordinator,Office Assistant	Total
Assistant II,Office	4
Field Service Rep A	1
Foreman,Crew	4
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Mechanic A,Field Meter	2
Member III (1),Crew	2
Member III (2),Crew	1
Operator (1),Distribution	5
Operator,LNG Plant	3
Reader,Meter	4
Rep A,Field Service	12
Rep,Major Accounts	1
Supervisor,Distribution	1
Supervisor,LNG Plant	1
Supervisor,Service	1
Welder	2
(blank)	
Grand Total	46

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4th 02

Count of 12168	
Coordinator,Office Assistant	Total
Assistant II,Office	4
Field Service Rep A	1
Foreman,Crew	4
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Member II (1),Crew	1
Member III (1),Crew	2
Member III (2),Crew	1
Operator (1),Distribution	6
Operator,Dist Press Ctrl	2
Operator,LNG Plant	3
Reader,Meter	4
Rep A,Field Service	11
Rep,Major Accounts	1
Rep,New Business	1
Superintendent,LNG Plant	1
Supervisor,Distribution	1
Supervisor,Service	1
Welder	1
(blank)	
Grand Total	47

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1st 03

Count of 12168	
Coordinator,Office Assistant	Total
Assistant II,Office	4
Foreman,Crew	4
Manager,Chattanooga	1
Manager,Marketing/Rates	1
Member II (1),Crew	1
Member III (1),Crew	2
Member III (2),Crew	1
Operator (1),Distribution	6
Operator,Dist Press Ctrl	1
Operator,LNG Plant	4
Reader,Meter	10
Rep A,Field Service	11
Rep,Major Accounts	1
Rep,New Business	1
Superintendent,LNG Plant	1
Supervisor,Service	1
Welder	1
(blank)	
Grand Total	51

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2nd 03

Count of 12168	
Coordinator,Office Assistant	Total
Assistant II,Office	4
Foreman,Crew	4
Manager,Chattanooga	1
Member II (1),Crew	1
Member III (1),Crew	2
Member III (2),Crew	1
Operator (1),Distribution	5
Operator,Dist Press Ctrl	2
Operator,LNG Plant	4
Reader,Meter	8
Rep A,Field Service	11
Rep,Major Accounts	1
Rep,New Business	1
Superintendent,LNG Plant	1
Supervisor,Service	1
Technician,LNG	1
Welder	1
(blank)	
Grand Total	49

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8/21/2003

Count of 12168	
Coordinator,Office Assistant	Total
Assistant II,Office	4
Foreman,Crew	4
Manager,Chattanooga	1
Member I,Crew	1
Member II (1),Crew	1
Member III (1),Crew	2
Member III (2),Crew	1
Operator (1),Distribution	6
Operator,Dist Press Ctrl	2
Operator,LNG Plant	4
Reader,Meter	10
Rep A,Field Service	11
Rep,Major Accounts	1
Rep,New Business	1
Superintendent,LNG Plant	1
Supervisor,Distribution	1
Supervisor,Service	1
Technician,LNG	1
VP,CGC Operations	1
Welder	1
(blank)	
Grand Total	55

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Discovery Request Item No. 5 Attachemnt B.

Calculated CGC Headcount								
	1996	1997	1998	1999	2000	2001	2002	2003
Jan		8	10	7	9	11	10	16
Feb		8	11	7	10	13	10	17
Mar		8	8	7	9	12	11	16
Apr		8	9	8	9	11	11	14
May		8	9	8	9	10	10	12
Jun		8	9	8	9	8	10	10
Jul		8	9	7	9	7	9	
Aug		9	8	6	9	7	9	
Sep		9	8	8	9	9	9	
Oct	8	9	7	8	10	10	10	
Nov	8	10	7	7	9	8	10	
Dec	8	11	7	7	9	8	12	

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Calculated CGC Headcount								
	1996	1997	1998	1999	2000	2001	2002	2003
Jan		8	10	7	9	11	10	16
Feb		8	11	7	10	13	10	17
Mar		8	8	7	9	12	11	16
Apr		8	9	8	9	11	11	14
May		8	9	8	9	10	10	12
Jun		8	9	8	9	8	10	10
Jul		8	9	7	9	7	9	
Aug		9	8	6	9	7	9	
Sep		9	8	8	9	9	9	
Oct	8	9	7	8	10	10	10	
Nov	8	10	7	7	9	8	10	
Dec	8	11	7	7	9	8	12	

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Calculated CGC Headcount								
	1996	1997	1998	1999	2000	2001	2002	2003
Jan		8	10	7	9	11	10	16
Feb		8	11	7	10	13	10	17
Mar		8	8	7	9	12	11	16
Apr		8	9	8	9	11	11	14
May		8	9	8	9	10	10	12
Jun		8	9	8	9	8	10	10
Jul		8	9	7	9	7	9	
Aug		9	8	6	9	7	9	
Sep		9	8	8	9	9	9	
Oct	8	9	7	8	10	10	10	
Nov	8	10	7	7	9	8	10	
Dec	8	11	7	7	9	8	12	

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Discovery Request No. 6

After how many days is a past due/delinquent account deemed uncollectible?

Response:

Past due/delinquent accounts are deemed uncollectible and written-off sixty (60) days after the final bill is issued, approximately 135 days after date of the initial bill.

Chattanooga Gas Company
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Discovery Request No. 7

Provide the payroll expense for all employee positions charged to Account 903. Identify these positions by job title, by month and by year from the beginning of the attrition year in the company's last rate proceeding through the latest month for which this information is currently available.

Response:

Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome. Subject to and without waiving the foregoing objection to this request, the Company is providing the follow:

The requested information is not available for the period of October 1997-December 1998. The requested data for the period of January 1, 1999 – July 2003 is provided on Request Item #7, Attachment A.

Sum of Allocated Amount		Month															
Job Title	Acct	1/1/1999	2/1/1999	3/1/1999	4/1/1999	5/1/1999	6/1/1999	7/1/1999	8/1/1999	9/1/1999	10/1/1999	11/1/1999	12/1/1999	1/1/2000	2/1/2000	3/1/2000	
Account Manager	600095 - PR Customer Records/Collections																
Account Manager Total																	
Accountant I	600095 - PR Customer Records/Collections																
Accountant I Total	650300 - Account Collection	116.67	85.66	103.85	87.00	78.98	105.06	77.48	22.00	26.52	54.55	25.14	26.40	28.91			
Accountant II	650200 - Customer records	171.35	134.15	153.31	136.22	108.31	159.75	114.76	22.00	26.52	54.55	25.14	26.40	28.91			
Accountant II Total		288.00	219.80	257.16	223.22	187.29	264.81	192.24	44.00	53.04	109.09	50.28	52.80	57.82			
Acctg Clerk I	650200 - Customer records	89.26	74.78	77.80	81.42	87.06	88.52	60.91									
Acctg Clerk I Total		142.84	116.77	126.29	90.35	105.16	105.16	62.24	51.67								
Acctg Clerk II	650200 - Customer records	142.84	116.77	126.29	90.35	105.16	105.16	62.24	51.67								
Acctg Clerk II Total		285.70	233.54	252.58	180.70	210.32	210.32	123.69	103.34								
Acctg Specialist	650200 - Customer records	237.70	235.77	260.50	265.58	230.32	233.69	209.44									
Acctg Specialist Total		237.70	235.77	260.50	265.58	230.32	233.69	209.44									
Acctg Clerk I	600095 - PR Customer Records/Collections	71.68	71.63	32.48	(6.04)			2.31									
Acctg Clerk I Total		71.68	71.63	32.48	(6.04)			2.31									
Administrative Asst I	650200 - Customer records	5.92478	5.64	20.13	26.67	25.56	22.57	25.34	24.76	21.16	188.76	190.38	189.94	(18.07)			
Administrative Asst I Total		5.92478	5.64	20.13	26.67	25.56	22.57	25.34	24.76	21.16	188.76	190.38	189.94	(18.07)			
Administrative Asst II	650200 - Customer records	49.519863	47.16			39.64	53.13	53.13	53.13	43.47							
Administrative Asst II Total		49.519863	47.16			39.64	53.13	53.13	53.13	43.47							
Construction Coordinator	650200 - Customer records																
Construction Coordinator Total	650300 - Account Collection	30.73															
Construction Coordinator Total		39.95	117.97														
Cust Info Comm	650200 - Customer records	39.95	117.97														
Cust Info Comm Total		39.95	117.97														
Customer Acctg Rep	650200 - Customer records	25.21	(5.82)														
Customer Acctg Rep Total		36.37	89.62														
Customer Acctg Rep Total		36.37	89.62														
Data Entry Oper	600095 - PR Customer Records/Collections																
Data Entry Oper Total	650200 - Customer records	281.12	236.05	230.25	226.94	194.14	211.60	158.43	270.64	169.95	101.09	(7.21)					
Field Service Rep A	650300 - Account Collection	1092.38	1,487.50	2,008.64	2,329.56	2,861.26	1,809.63	1,931.13	641.38								
Field Service Rep A Total		1092.38	1,487.50	2,008.64	2,329.56	2,861.26	1,809.63	1,931.13	641.38								
Field Service Rep B	650300 - Account Collection	17.24	144.96	140.24	376.10	(34.47)	53.28	(6.27)									
Field Service Rep B Total		17.24	144.96	140.24	376.10	(34.47)	53.28	(6.27)									
Lead Inspector	650200 - Customer records	94.50	93.17	100.12	80.95	90.13	106.22	63.73									
Lead Inspector Oper Total		94.50	93.17	100.12	80.95	90.13	106.22	63.73									
Mail Clerk	600095 - PR Customer Records/Collections																
Mail Clerk Total	650200 - Customer records	230.80	192.27	194.29	149.68	143.21	152.93	107.66	87.43	(52.46)							
Mail Clerk Total		230.80	192.27	194.29	149.68	143.21	152.93	107.66	87.43	(52.46)							
Manager Accts. Payable	600095 - PR Customer Records/Collections																
Manager Accts. Payable Total																	
Marketing Service Manager	650200 - Customer records	40.186132	38.25	43.99	42.08	41.12	43.39	(15.78)									
Marketing Service Manager Total		40.186132	38.25	43.99	42.08	41.12	43.39	(15.78)									
Office Assistant I	650200 - Customer records	1048.1	1,428.38	2,428.61	1,837.20	1,748.82	1,605.10	1,556.04	2,415.64	1,374.08							
Office Assistant I Total		1048.1	1,428.38	2,428.61	1,837.20	1,748.82	1,605.10	1,556.04	2,415.64	1,374.08							
Office Asst II	650300 - Account Collection	230.1	341.06	500.65	402.04	377.58	359.86	460.65	169.51								
Office Asst II Total		1578.2	1,769.44	2,929.26	2,239.24	2,126.40	1,966.97	1,916.00	2,585.29	1,543.59							
Office Asst I	650200 - Customer records	86.06	57.38	58.18	4.79												
Office Asst I Total		86.06	57.38	58.18	4.79												
Office Asst II	650200 - Customer records	29.045137	15.59	35.18	35.23	17.67	31.80	12.89									
Office Asst II Total		29.045137	15.59	35.18	35.23	17.67	31.80	12.89									
Organization Dev Consultant	650200 - Customer records																
Organization Dev Consultant Total																	
Project Consultant	600095 - PR Customer Records/Collections																
Project Consultant Total																	
Rates Manager	650200 - Customer records	-5.332781															
Rates Manager Total		-5.332781															
SR Acctg Specialist	650200 - Customer records	55.05	37.39	(7.65)													
SR Acctg Specialist Total		55.05	37.39	(7.65)													
SR Rates Analyst	650200 - Customer records	37.882999															
SR Rates Analyst Total		37.882999															
Supervisor Meter Reading	650200 - Customer records																
Supervisor Meter Reading Total																	
Supervisor, Vendor Acctg	650200 - Customer records	2031.14	2,324.07														
Supervisor, Vendor Acctg Total		2031.14	2,324.07														
Supervisor, Vendor Acctg	650200 - Customer records	165.34	144.52	104.35	93.56	143.21	129.70	62.62									
Supervisor, Vendor Acctg Total		165.34	144.52	104.35	93.56	143.21	129.70	62.62									
Wise Hpr/ Tr Dvr	650200 - Customer records	47.42	43.18	43.29	42.40	44.24	45.35	25.98									
Wise Hpr/ Tr Dvr Total		47.42	43.18	43.29	42.40	44.24	45.35	25.98									
Call Center Representative	600095 - PR Customer Records/Collections	19593.49874	20,200.70	20,943.48	23,693.19	23,992.51	21,888.12	20,520.67	17,774.55	21,465.39	20,989.95	27,536.27	30,266.04	27,409.51			
Call Center Representative Total		19593.49874	20,200.70	20,943.48	23,693.19	23,992.51	21,888.12	20,520.67	17,774.55	21,465.39	20,989.95	27,536.27	30,266.04	27,409.51			
Grand Total		24,251.40	25,886.36	28,423.24	30,263.31	31,022.24	28,783.94	25,502.37	24,207.81	24,783.00	23,970.09	27,536.27	30,266.04	27,409.51	27,546.34		

Chattanooga Gas Company
Docket 09-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003
Discovery Request Item No. 7 Attachment A.

Job Title	4/1/2000	5/1/2000	6/1/2000	7/1/2000	8/1/2000	9/1/2000	10/1/2000	11/1/2000	12/1/2000	1/1/2001	2/1/2001	3/1/2001	4/1/2001	5/1/2001
Account Manager														
Account Manager Total	600095 - PR Customer Records/Collections	27.03	36.33	24.64	26.27	25.04	25.81	11.22	13.48	15.95	21.10	14.33	14.07	14.85
Accountant I	600095 - PR Customer Records/Collections	27.03	36.33	24.64	26.27	25.04	25.81	11.22	13.48	15.95	21.10	14.33	14.07	14.85
Accountant I Total	650300 - Account Collection	27.03	36.33	24.64	26.27	25.04	25.81	11.22	13.48	15.95	21.10	14.33	14.07	14.85
Accountant II	650200 - Customer records	27.03	36.33	24.64	26.27	25.04	25.81	11.22	13.48	15.95	21.10	14.33	14.07	14.85
Accountant II Total	650200 - Customer records	27.03	36.33	24.64	26.27	25.04	25.81	11.22	13.48	15.95	21.10	14.33	14.07	14.85
Accg. Clerk I	650200 - Customer records													
Accg. Clerk I Total	650200 - Customer records													
Accg. Clerk II	650200 - Customer records													
Accg. Clerk II Total	650200 - Customer records													
Accg. Specialist	650200 - Customer records													
Accg. Specialist Total	650200 - Customer records													
Accg. Clerk II	650200 - Customer records													
Accg. Clerk II Total	650200 - Customer records													
Administrative Asst I	650200 - Customer records													
Administrative Asst I Total	650200 - Customer records													
Administrative Asst II	650200 - Customer records													
Administrative Asst II Total	650200 - Customer records													
Construction Coordinator	650200 - Customer records													
Construction Coordinator Total	650300 - Account Collection													
Cust Info Comm	650200 - Customer records													
Cust Info Comm Total	650200 - Customer records													
Customer Accg. Rep	650200 - Customer records													
Customer Accg. Rep Total	650200 - Customer records													
Data Entry Oper	650200 - Customer records													
Data Entry Oper Total	650200 - Customer records													
Field Service Rep A	650300 - Account Collection													
Field Service Rep A Total	650300 - Account Collection													
Field Service Rep B	650300 - Account Collection													
Field Service Rep B Total	650300 - Account Collection													
Lead Installer Oper	650200 - Customer records													
Lead Installer Oper Total	650200 - Customer records													
Mail Clerk	650200 - Customer records													
Mail Clerk Total	650200 - Customer records													
Manager Accts Payable	650200 - Customer records													
Manager Accts Payable Total	650200 - Customer records													
Market Service Manager	650200 - Customer records													
Market Service Manager Total	650200 - Customer records													
Office Assistant I	650200 - Customer records													
Office Assistant I Total	650200 - Customer records													
Office Asst I	650200 - Customer records													
Office Asst I Total	650200 - Customer records													
Office Asst II	650200 - Customer records													
Office Asst II Total	650200 - Customer records													
Organization Dev Consultant	650200 - Customer records													
Organization Dev Consultant Total	650200 - Customer records													
Project Consultant	650200 - Customer records													
Project Consultant Total	650200 - Customer records													
Rates Manager	650200 - Customer records													
Rates Manager Total	650200 - Customer records													
Sr Accto Specialist	650200 - Customer records													
Sr Accto Specialist Total	650200 - Customer records													
Sr Rates Analyst	650200 - Customer records													
Sr Rates Analyst Total	650200 - Customer records													
Supervisor Meter Reading	650200 - Customer records													
Supervisor Meter Reading Total	650200 - Customer records													
Supervisor Vendor Accto	650200 - Customer records													
Supervisor Vendor Accto Total	650200 - Customer records													
Warehouse Dir	650200 - Customer records													
Warehouse Dir Total	650200 - Customer records													
Call Center Representative	650200 - Customer records													
Call Center Representative Total	650200 - Customer records													
Grand Total	650200 - Customer records	27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92	37,419.00	34,217.83
		27,488.17	25,836.96	26,778.48	28,072.90	26,886.40	25,588.55	28,706.11	25,266.02	26,034.80	33,147.31	39,470.92		

Chattanooga Gas Company
Docket 03-00299
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request issued July 28, 2003
Discovery Request Item No. 7 Attachment A.

Sum of Allocated Amount	Job Title	7/1/2001	8/1/2001	9/1/2001	10/1/2001	11/1/2001	12/1/2001	1/1/2002	2/1/2002	3/1/2002	4/1/2002	5/1/2002	6/1/2002	7/1/2002	8/1/2002	9/1/2002	
	Account Manager	600095 - PR Customer Records/Collections	(0.00)														
	Accountant I	600095 - PR Customer Records/Collections	19.97	28.85	5.19	12.45	11.23	10.74	11.16	9.95	9.42	10.09					
		650200 - Customer records															
		650300 - Account Collection															
	Accountant I Total		19.97	28.85	5.19	12.45	11.23	10.74	11.16	9.95	9.42	10.09					
	Accountant II	650200 - Customer records															
	Accountant II Total																
	Acctg Clerk I	650200 - Customer records															
	Acctg Clerk I Total																
	Acctg Clerk II	650200 - Customer records															
	Acctg Clerk II Total																
	Acctg Specialist	650200 - Customer records															
	Acctg Specialist Total																
	Acctg Clerk II Total																
	Administrative Asst I	650200 - Customer records															
	Administrative Asst I Total																
	Administrative Asst II	650200 - Customer records															
	Administrative Asst II Total																
	Construction Coordinator	650200 - Customer records															
		650300 - Account Collection															
	Construction Coordinator Total																
	Cust Info Comm	650200 - Customer records															
	Cust Info Comm Total																
	Customer Acctg Rep	650200 - Customer records															
	Customer Acctg Rep Total																
	Data Entry Oper	600095 - PR Customer Records/Collections															
		650200 - Customer records															
	Data Entry Oper Total																
	Field Service Rep A	650300 - Account Collection															
	Field Service Rep A Total																
	Field Service Rep B	650300 - Account Collection															
	Field Service Rep B Total																
	Lead Installer Oper	650200 - Customer records															
	Lead Installer Oper Total																
	Mail Clerk	600095 - PR Customer Records/Collections															
		650200 - Customer records															
	Mail Clerk Total																
	Manager Accts Payable	600095 - PR Customer Records/Collections															
	Manager Accts Payable Total																
	Marketer Service Manager	650200 - Customer records															
	Marketer Service Manager Total																
	Office Assistant II	650200 - Customer records															
		650300 - Account Collection															
	Office Assistant II Total																
	Office Asst I	650200 - Customer records															
	Office Asst I Total																
	Office Asst II	650200 - Customer records															
	Office Asst II Total																
	Organization Dev Consultant	650200 - Customer records															
	Organization Dev Consultant Total																
	Project Consultant	600095 - PR Customer Records/Collections															
	Project Consultant Total																
	Rates Manager	650200 - Customer records															
	Rates Manager Total																
	Sr Acctg Specialist	650200 - Customer records															
	Sr Acctg Specialist Total																
	Sr Rates Analyst	650200 - Customer records															
	Sr Rates Analyst Total																
	Supervisor Meter Reading	650200 - Customer records															
	Supervisor Meter Reading Total																
	Supervisor Vendor Acctg	650200 - Customer records															
	Supervisor Vendor Acctg Total																
	Wages Hpr/ Tr Dvr	650200 - Customer records															
	Wages Hpr/ Tr Dvr Total																
	Call Center Representative	600095 - PR Customer Records/Collections	21,680.01	22,436.38	27,186.53	30,234.33	24,265.99	23,794.70	29,229.92	27,642.35	30,517.68	31,910.08	28,413.70	29,434.83	25,998.28	26,116.78	27,076.80
	Call Center Representative Total		21,680.01	22,436.38	27,186.53	30,234.33	24,265.99	23,794.70	29,229.92	27,642.35	30,517.68	31,910.08	28,413.70	29,434.83	25,998.28	26,116.78	27,076.80
	Grand Total		21,680.98	22,465.03	27,191.72	30,246.77	24,276.21	23,805.45	29,241.08	27,652.30	30,527.09	31,920.17	28,413.70	29,434.83	25,998.28	26,116.78	27,076.80

Chattanooga Gas Company
Docket 09-0209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request issued July 28 2003
Discovery Request Item No. 7 Attachment A.

Job Title	Acct	10/1/2002	11/1/2002	12/1/2002	1/1/2003	2/1/2003	3/1/2003	4/1/2003	5/1/2003	6/1/2003	7/1/2003	Grand Total
Account Manager	600095 - PR Customer Records/Collections											888.76
Accountant I	650200 - Customer records							29.05	(12.91)			888.76
Accountant I	650300 - Account Collection											624.32
Accountant I Total												654.72
Accountant II	650200 - Customer records							29.05	(12.91)			323.14
Accountant II Total												1,602.18
Acctg Clerk I	650200 - Customer records											559.57
Acctg Clerk I Total												559.57
Acctg Clerk II	650200 - Customer records											695.42
Acctg Clerk II Total												695.42
Acctg Specialist	650200 - Customer records											1,707.00
Acctg Specialist Total												1,707.00
Acctg Clerk II	650200 - Customer records											172.26
Acctg Clerk II Total												172.26
Administrative Asst I	650200 - Customer records											955.17
Administrative Asst I Total												955.17
Administrative Asst II	650200 - Customer records											177.77
Administrative Asst II Total												177.77
Construction Coordinator	650200 - Customer records											338.20
Construction Coordinator Total												338.20
Construction Coordinator	650300 - Account Collection											86.80
Construction Coordinator Total												86.80
Cust Info Comm Total	650200 - Customer records											236.88
Cust Info Comm Total												323.68
Customer Acctg Rep	650200 - Customer records											19.39
Customer Acctg Rep Total												19.39
Data Entry Oper	650200 - Customer records											559.42
Data Entry Oper Total												559.42
Data Entry Oper	650200 - Customer records											535.27
Data Entry Oper Total												535.27
Field Service Rep A	650300 - Account Collection											1,538.53
Field Service Rep A Total												2,073.79
Field Service Rep B	650300 - Account Collection											17,629.69
Field Service Rep B Total												17,629.69
Field Service Rep C	650200 - Customer records											691.09
Field Service Rep C Total												691.09
Lead Installer	650200 - Customer records											628.82
Lead Installer Total												628.82
Mail Clerk	650200 - Customer records											34.97
Mail Clerk Total												34.97
Manager Accts Payable	650200 - Customer records											1,170.84
Manager Accts Payable Total												1,170.84
Manager Accts Payable	650200 - Customer records											712.13
Manager Accts Payable Total												712.13
Manager Service Manager	650200 - Customer records											233.23
Manager Service Manager Total												233.23
Office Assistant II	650200 - Customer records											15,843.97
Office Assistant II Total												15,843.97
Office Asst I	650200 - Customer records											3,233.12
Office Asst I Total												3,233.12
Office Asst II	650200 - Customer records											206.41
Office Asst II Total												206.41
Organization Dev Consultant	650200 - Customer records											233.76
Organization Dev Consultant Total												233.76
Project Consultant	650200 - Customer records											755.33
Project Consultant Total												755.33
Rates Manager	650200 - Customer records											111.84
Rates Manager Total												111.84
SI Acctg Specialist	650200 - Customer records											(6.33)
SI Acctg Specialist Total												(6.33)
SI Rates Analyst	650200 - Customer records											85.78
SI Rates Analyst Total												85.78
Supervisor Meter Reading	650200 - Customer records											37.88
Supervisor Meter Reading Total												37.88
Supervisor Vendor Acctg	650200 - Customer records											4,355.21
Supervisor Vendor Acctg Total												4,355.21
Wire Dpt II Div	650200 - Customer records											843.31
Wire Dpt II Div Total												843.31
Wire Dpt II Div	650200 - Customer records											291.87
Wire Dpt II Div Total												291.87
Call Center Representative	650200 - Customer records											28,066.00
Call Center Representative Total												28,066.00
Call Center Representative	650200 - Customer records											1,559,030.30
Call Center Representative Total												1,559,030.30
Grand Total												1,616,196.82

Chattanooga Gas Company
Docket 03-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003

Discovery Request No. 8

Identify and describe all policies and procedures used in billing, collecting and writing off of uncollectible accounts as of the test year in the latest rate case and as of 7/1/2003. Include a time line and description of the entire collection process, including, but not confined to, meter reading, billing payments, due date, cut-off notice, cut-off date, collection process, date referred to collection, collection costs, write-offs, etc. In addition, describe the company's policies and procedures for use of outside collection agents, including, but not confined to, the number of days that a past due/delinquent account is outstanding before referral to outside collection agents as well as free arrangements with collection agents.

Response:

The following is a summary of Chattanooga Gas Company's current process for billing, collecting and writing off of uncollectible accounts.

Chattanooga Gas Company's Residential and Commercial meters are read in 21 cycles during the month. The night after the meters are read, the readings are entered into the billing system for processing. Bills are prepared and issued the following day.

Unlike Residential and Commercial customers who's meters are read in cycles throughout the month the, industrial customers' meters are all read at the end of the month and billed on the third business day using a separate billing system.

Residential and Commercial bills are due twenty one (21) days after being issued. A late payment charge (forfeited discount) is recorded and a past due message is placed on the customers bill if payment is not received before the customer's next bill is computed (approximately thirty (30) days after the initial bill). Also at that time, accounts meeting the credit criteria as explained below are placed in the active collection process and a final notice is issued.

If payment of the past due amount is not received within ten (10) days of final notice, (approximately 40 days after the initial bill is issued) the account is eligible for shut-off for non-payment. (While the account is subject to cut-off at anytime after it becomes eligible, the actual shut-off may be delayed due to weather or other constraints.)

Ten (10) days after shut-off for non-payment, the account is terminated, the deposit is applied to any outstanding balance, and a final bill is issued. Final bills are due twenty one (21) days after issue.

If payment is not received within thirty (30) days of the final bill, a letter is mailed informing the customer that if not paid the account will be written-off and is subject to being reported to credit reporting agencies.

Chattanooga Gas Company
Docket 03-00209
Consumer Advocate and Protection Division of the Office of The Attorney General
Discovery Request Issued July 28, 2003

If unpaid at sixty (60) days after the final bill due date, balance is written-off as uncollectible.

At the first of the month accounts written-off during the previous month are reviewed. Accounts with uncollected balances of \$11 or more are referred to a collection agency. Accounts with uncollected balances of \$50 or more are reported to credit reporting agencies.

Collection agencies receive 35% of amounts collected. A new arrangement has been negotiated that will result in the collection agency receiving 22% effective October 1, 2003.

Prior to actual termination of service, a customer may agree to pay past due amounts over a 90 day period. During this 90 day period the customer must make timely payments of current charges as well as the agreed to amount of the past due balance. If a customer fails to meet the obligation, the account immediately reenters the active collective process and is subject to shut-off for no payment.

Credit Criteria for Determining if account enters active collection process.

If the bill is past due 30 days (approximately 51 days after the initial bill), a final notice is mailed to the customer. Such notices are not issued to:

- customers who's accounts have an A credit rating unless the unpaid bill exceeds \$150;
- customers who's accounts have an B credit rating unless the unpaid bill exceeds \$100;
- customers who's accounts have an C credit rating unless the unpaid bill exceeds \$50;

Notices are issued to any customer who has been receiving service for less than one year and a past due balance exceeding \$50.

The current policy has been in place since May 2002, prior that date the policy was somewhat more lenient. Accounts did not enter the active collection process until the second month's bill was 30 days past due approximately 60 days after the initial bill. . . . Accounts with a B credit rating were not issued a final notice unless the past due amount was greater than \$150 in contrast to the \$100 today, accounts with C or D rating and more than 12 months of service were not issued a final notice unless the past due amount was greater than \$100 in contrast to the \$50 past due requirement for an account with a C rating today. Also primarily as the result of urging from the TRA to work with customers to avoid termination of service as the result of the rapid increase in the cost of gas in the winter of 2000-2001 the Company extended the length of payment arrangements from 90 to 120 days, and relaxed the deposit requirements.

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Determination of Credit Rating.

The credit rating of a customer's account is based on monthly payment history. Each month each account is scored using the following criteria.

Monthly score:

- 1= Customer paid balance prior to due date on bill
- 3= Customer paid balance after due date but before next billing
- 6= Customer did not pay balance before next billing
- 8= Customer was turned off for non-payment of bills
- 9=Customer had a returned check on the account during the month.

The Customer Information System (CIS) maintains a rolling twelve-month history of the monthly score on each account. The monthly score for each of the most recent twelve months is "weighted." The weighted monthly scores are then totaled. The sum of the weighted scores determines the account's credit rating. The "weighting" of each month is as follows:

Current month = Score X 3

Previous 2 months = Score X 2

Remaining 9 months = Score only

- "A" if sum of twelve months weighted score is less than 20
- "B" if sum of twelve months weighted score is more than 20 and less than 33
- "C" if sum of twelve months weighted score is more than 33 and less than 48
- "D" if sum of twelve months weighted score is more than 48 and less than 56
- "E" if sum of twelve months weighted score is more than 56 and less than 65
- "F" if sum of twelve months weighted score is more than 65

Day 0	Meters read and data uploaded into billing system
Day 1	Bill issued
Day 21	Customer's due date
Day 30	Late payment charge (LPC) assessed and the bill for month 2 is processed. Past due notice are printed on customer bill. Based on credit criteria, accounts may enter active collection process. Final notice is issued to accounts that enter active collection process.
Day 40	Account subject to Shut-Off No Payment (SONP) actual shut-off may be delayed due to weather restrictions.
Day 50	Due date for second months bill.
	Ten (10) days after actual shut-off, account terminated

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	and final bill calculated and issued with due date 22 days later.
Day 72 (May vary since issue of final bill dependent of actual shut-off date.)	Final bill due date.
Day 80(May vary since issue of final bill dependent of actual shut-off date.)	30 days after final bill, 30 day letter mailed informing customer that account will be written-off and referred to credit reporting agencies.
Day 135(May vary since issue of final bill dependent of actual shut-off date.)	30 days after final bill, account charged off as uncollectible.
First of next months after account written-off	Accounts with uncollected balances of \$11 or more are referred to collection agency.)

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Discovery Request No. 9

Provide a narrative or other summary of the potential impact of any changes on bad debts expense since the company's last rate case.

Response:

Chattanooga Gas Company objects to this request the basis that the request is vague and overly broad. The term "any changes" could refer to a multitude of changes that range from changes in individual customer's financial circumstances, increase usage due to weather, to the change in the cost of gas and the resulting PGA that increased from \$3.5212 per Mcf at October 7, 1998 to \$7.297 per Mcf at July 1, 2003.

Subject to and without waiving the foregoing objection to this request, Chattanooga Gas Company is providing the following narrative:

The Company has not conducted a study to identify all such "changes" or the "potential" impact of all such changes. However, it is apparent that the increase in the cost of gas has materially impacted the amount of un-recovered gas cost included in each dollar of bad debt written-off.

Based on the volumes used by the TRA to set rates in Chattanooga Gas Company's last rate proceeding and the then effective PGA, the gas portion of the average monthly residential customer's bill was approximately \$27. As of July 1, 2003 the cost of gas (PGA) had increased such that the gas portion of the bill was approximately \$55. Similarly, the gas portion of the average monthly commercial customer's bill had increased from approximately \$164 to \$339. On an aggregate basis, the gas cost or PGA portion was approximately 55% of the total Residential and Commercial customers' bills at the date of last rate case order. As a result of the increase in the PGA, currently the gas cost portion of the customers' bills is approximately 73% of the total bill. In other words, at the time of the last rate case, on the average, each \$1.00 of bad debt written-off represented approximately \$0.55 of un-recovered gas cost; at the present PGA rate, each \$1.00 written-off represents approximately \$0.73 of gas cost that the utility has not recovered. Whatever the reason for customers' default on their accounts, the amount of unrecovered gas costs resulting from customers' failure to pay their gas bills has increased materially.

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Discovery Request No. 10

List and explain all factors which may have caused a change in bad debt expense since the beginning of the attrition year in the company's last rate proceeding through the latest months for which this information is currently available.

Response:

Chattanooga Gas Company objects on the basis that this request is redundant, overly broad, and unclear. Subject to and without waiving the foregoing objection, the Company provides the following narrative:

As explained in response to discover request #9, the Company has not preformed studies or analysis in an attempt to identify all "changes" or "all factors" that may have caused a change in the uncollectible accounts since the beginning of the attrition year in the Company's last rate proceeding. One of the primary factors is the increase in the cost of gas that is passed through to the customers through the PGA/ACA factors. At the time of the last rate case, the Purchased Gas Adjustment (PGA) for Residential and Commercial Customers was \$3.5212 per Mcf in contrast with the \$7.297 per Mcf at July 1, 2003. This is an increase of over 100%.

Other factors such as the change in the economy, change in usage due to weather, the level of unemployment in Chattanooga Gas Company's service area, the change in financial situations of individual customers could have impacted the amount of uncollectible accounts. Also in response to the concerns of the TRA resulting from the rapid increase in gas cost during the winter of 2000-2001, the Company extended the length of credit arrangements, eased deposit requirements for customers requesting gas reconnections, and worked with customers having difficulty paying their gas bills. These efforts also resulted in an increase in uncollectibles and un-recovered gas cost.

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Discovery Request No. 11

Describe in detail the total amount of capital required to “carry” the accounts receivable balances associated with customers that pay after the due date (date when the late payment charge is added to the billed balance):

- a) using the latest available year, and
- b) using the test year from the latest rate case.

Response:

- a) Gas Company objects to this request on the basis that the request is unduly burdensome. Subject to and without waiving the foregoing objection to the request, the Company states that in the normal course of business, reports are not produced and records are not maintained in a manner that yields the requested data.
- b) Gas Company objects to this request on the basis that the request is unduly burdensome. Subject to and without waiving the foregoing objection to the request, the Company states that the amount of capital required to “carry” the accounts receivable balances associated with customers that pay after the due date was not quantified in the Company’s last rate case, TRA Docket 97-00982.

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Discovery Request No. 12

What is the current cost of short term debt for your company?

Response:

Commercial Paper – 1.3% as of June 30, 2003, or 1.5% for the six months ended June 30, 2003. (Source: AGL Resources Inc. SEC Form 10Q for the Quarter Ended June 30, 2003.)

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Discovery Request No. 13

For accounts that are collected after the due date, provide the average number of days that the account is outstanding before it is collected for the test year from the last rate case and the latest available year.

Response:

Chattanooga Gas Company objects to this request on the basis that the request is unduly burdensome. Subject to and without waiving the foregoing objection to the request, the Company states that it is not in possession of the requested data. In the normal course of business, reports are not produced and records are not maintained in a manner that yields the requested data.

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Discovery Request No. 14

For accounts that are collected after the due date, provide the average balance outstanding, excluding late charges, for the test year from the last rate case and the latest available year.

Response:

Chattanooga Gas Company objects to this request on the basis that the request is unduly burdensome. Subject to and without waiving the foregoing objection to the request, the Company states that it is not in possession of the requested data. In the normal course of business, reports are not produced and records are not maintained in a manner that yields the requested data.

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Discovery Request No. 15

Provide the revenue lag (in days) as of the test year in the company's latest rate proceeding and the latest available revenue lag.

Response:

The revenue lag (in days) adopted by the Tennessee Regulatory Authority in Chattanooga Gas Company's latest rate proceeding was 41.60 days. Since no subsequent lead/lag study has been performed, the revenue lag from the last rate proceeding is the latest available.

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Discovery Request No. 16

Provide the uncollectible expense lag (in days) as of the test year in the company's last rate proceeding and the latest available uncollectible expense lag.

Response:

Consistent with ratemaking principles and procedures generally accepted and utilized by the Tennessee Regulatory Authority, no lag days were assigned to uncollectibles in the last rate case since the reserve for uncollectibles was deducted directly from rate.

Since no subsequent lead/lag study has been preformed, the revenue lag from the last rate proceeding is the latest available.

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Discovery Request No. 17

Provide the purchase gas expense lag (in days) as of the test year in the company's last rate proceeding and the latest available purchase gas expense lag.

Response:

The purchased gas expense lag (in days) in Chattanooga Gas Company's last rate case was 38.4 days. Since no subsequent lead/lag study has been preformed, the gas purchase expense lag from the last rate proceeding is the latest available.

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Discovery Request No. 18

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

- (a) identify the field in which the witness is to be offered as an expert;
- (b) provide complete background information, including the expert's current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;
- (c) provide the grounds (including without limitations any factual basis) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (d) identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (e) identify for each such expert any person whom the expert consulted or otherwise communicated with in connection with his expected testimony;
- (f) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relative to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) identify all documents or things shown to, delivered to, received from, relied upon, or prepared to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation of all documents or things provided to that expert for review in connection with testimony and opinions; and
- (h) identify any exhibits to be used as a summary of or support for the testimony of opinions provided by the expert.

Response:

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- (a) Archie R. Hickerson will be offered as an expert witness on the recoverability of uncollected gas cost through the Purchased Gas Adjustment (PGA).
- (b) Educational Background and Professional Experience

Mr. Hickerson received a BS from Austin Peay State University in December 1967 with major in mathematics and completed the requirements for a major in accounting December 1974. Additionally, Mr. Hickerson is a Certified Public Accountant in the State of Tennessee.

The following is a summary and timeline of Mr. Hickerson's professional experience:

- **AGL Services Company, Atlanta, Georgia**

- Manager-Rates, September 2000 to present

Mr. Hickerson's duties include, among others, the preparation and maintenance of Chattanooga Gas Company's and Atlanta Gas Light Company's Tariffs, the preparation and filing of changes in the purchased gas adjustments (PGAs) on behalf of Chattanooga Gas Company, the review and filing of actual cost adjustments (ACAs) on behalf of Chattanooga Gas Company, the preparation/review of responses to ACA audit findings on behalf of Chattanooga Gas Company, the preparation/review of responses to weather normalization adjustments (WNA) audits on behalf of Chattanooga Gas, and the preparation/review of data and discovery requests issued by the Tennessee Regulatory Authority (TRA) and the Consumer Advocate and Protection Division.

- **Office of the Attorney General and Reporter State of Tennessee –Consumer Advocate Division**

- Director of the Consumer Advocate Division Staff July 1994 - August 2000

As the Director of the Consumer Advocate Division Staff, Mr. Hickerson appeared as an expert witness on utility cost of service, cost allocation, and rate design and supervised the technical staff members who also prepared and presented testimony on behalf of the Office of the Attorney General and Reporter in proceeding before the Tennessee Public Service Commission (TPSC) and the TRA. He also prepared and presented comments in rulemaking

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proceedings before the TPSC and the TRA. As Director of the Consumer Advocate Staff, he served on the National Association of State Utility Consumer Advocates (NASUCA) Accounting and Tax Committee, and served as an observer member of the NARUC Subcommittee on Accounts.

- **Tennessee Public Service Commission**

- **Deputy Director – Utility Rate Division January 1987 - June 1994**

Mr. Hickerson supervised the employees who conducted compliance and management audits and earning and rate investigations of utilities regulated by the Tennessee Public Service Commission. He appeared as an expert witness on behalf of the Commission staff on utilities' cost of service and rate design. He assisted in the development of the Commission's administrative rules and regulations, and prepared filings and comments that were filed before federal agencies. As part of his duties with the Commission, he served as a member of the National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Communications, the NARUC Staff Subcommittee on Accounts, and the Southern Accounting Taskforce.

- **Assistant Director – Accounting Division November 1982- December 1986**

As the Assistant Director, Mr. supervised the employees who conducted compliance audits of utilities, and conducted earning and rate investigations, of utilities regulated by the Tennessee Public Service Commission. He appeared as an expert witness on behalf of the Commission staff on utility cost of service and rate design. He assisted in the development of the Commission's administrative rules and regulations, and prepared filings and comments that were filed before federal agencies. As part of his duties with the Commission, he served as a member of the National Association of Regulatory Utility Commissioners' (NARUC) Staff Subcommittee on Communications.

- **Financial Analyst – June 1976- October 1982**

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Mr. Hickerson audited the books and records, and analyzed cost of providing service, of utilities regulated by the Tennessee Public Service Commission. He also developed financial exhibits, and entered testimony sponsoring these exhibits in rate proceedings before the Commission

▪ **Office of Comptroller of the Treasure-State of Tennessee**

▪ Auditor, December 1974- May 1976

Mr. Hickerson established reimbursement rates and audited hospitals and nursing homes providing service under the Medicaid program in Tennessee.

- (c) Mr. Hickerson's opinions will be presented in pre-filed testimony and supporting exhibit to be filed in accordance with the schedule adopted in this proceeding and will be based on facts available to him from Company records and his knowledge of utility accounting, and rate making. Mr. Hickerson will testify concerning the appropriate recovery of gas costs, including that portion include in uncollectible accounts, through the PGA mechanism.
- (d) Mr. Hickerson most recently testified as a member of a panel in Georgia Public Service Commission - Docket 14311-U Earnings Review to Establish Just and Reasonable Rates for Atlanta Gas Light Company. The transcript is provided.

Neither the Company nor Mr. Hickerson has a list of the proceedings in which he presented testimony as an expert witness of behalf of the Consumer Advocate Division of the Office of the Attorney General from 1994-2000, or as an expert witness on behalf of the Staff of the Tennessee Public Service Commission 1976-1994. His testimony in those proceedings is a matter of public record in Tennessee.

- (e) Mr. Hickerson has not yet prepared his testimony. It is anticipated that he will consult with various management and operational personnel within AGL Services Company and other affiliates of AGL Resources Inc. in obtaining information for preparation of such testimony.
- (f) Mr. Hickerson is a full time employee of AGL Services Company that provides service to Chattanooga Gas Company and AGL Resources, Inc.'s

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other regulated utilities. He is not separately compensated for testimony in this proceeding.

- (g) Chattanooga Gas Company objects to this request on the basis that it is overly broad and unduly burdensome. Subject to and without waiving the foregoing objection, the Company provides the following response: In his position with the AGL Services Company, for the past three years Mr. Hickerson has routinely viewed various documents related to Chattanooga Gas Company's operations including its investments, its revenues and the recovery of gas and other costs. (Examples include but are not limited to monthly income statements, monthly balance sheets, monthly reports filed with the TRA and Consumer Advocate and Protection Division, Annual Reports filed with the TRA, PGA filings with the TRA, ACA filings, ACA audits prepared by the TRA Staff, Company responses to ACA audits, WNA audits prepared by the TRA Staff, Company responses to WNA audits, tariff filings, responses to data request issued by the TRA Staff, Discovery Requests of the Consumer Advocate and Protection Division, and other data required in order for Mr. Hickerson to carry out his duties as an employee of AGL Services Company.) Any of these records or documents could, at the extreme, be classified as being "related" to Mr. Hickerson's testimony. The amount of such documents viewed by Mr. Hickerson over the past three years is voluminous and unduly burdensome to produce. The Company will produce those documents that directly relate to Mr. Hickerson's testimony in this proceeding. However, at this time Mr. Hickerson has not yet prepared his testimony.
- (h) No exhibits have yet been prepared. Any such exhibits will be filed with pre-filed testimony in accordance with the schedule adopted for this case.

1 record.

2 (The document, heretofore marked as
3 AGLC Exhibit Number 17, was
4 received in evidence.)

5 MR. DOWDY: And we would ask that the witness be
6 excused.

7 CHAIRMAN BURGESS: The witness is excused.

8 THE WITNESS: Thank you.

9 (Witness excused.)

10 Call your last panel.

11 MR. DOWDY: Thank you, Mr. Chairman. Atlanta Gas
12 Light Company calls the panel of Mr. Gary Lakey, Mr. Bryan
13 Batson and Mr. Archie Hickerson to the stand.

14 Let me ask each of you to raise your right hand,
15 please.

16 Whereupon,

17 GARY N. LAKEY

18 H. BRYAN BATSON

19 ARCHIE R. HICKERSON

20 appeared as witnesses herein and, having been first duly
21 sworn, were examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. DOWDY:

24 Q Mr. Lakey, starting with you, would you please
25 state your full name and business position for the record?

1 A (Witness Lakey) My name is Gary N. Lakey, I'm the
2 Director of Consumer Regulatory Analysis.

3 Q And Mr. Hickerson, would you please state your
4 full name and business position for the record, please?

5 A (Witness Hickerson) My name is Archie R.
6 Hickerson, I am Rates Manager, AGL Services.

7 Q And Mr. Batson, please state your full name and
8 business position for the record.

9 A (Witness Batson) My full name is Hugh Bryan
10 Batson, I'm Director of State Regulatory Affairs for AGL
11 Services.

12 Q Mr. Hickerson, let me ask you these questions on
13 behalf of the panel. Did you cause to have prefiled in this
14 proceeding 24 pages of question and answer testimony along
15 with Attachments A, B and C?

16 A (Witness Hickerson) Yes, sir.

17 Q Do you have any corrections or revisions to that
18 testimony?

19 A (Witness Hickerson) Yes.

20 Q Would you please give those?

21 A (Witness Hickerson) On page 20, line 16, it reads
22 "cumulative Dedicated Design Day annual capacity charge,"
23 the word "charge" should be excluded. It should read
24 "cumulative Dedicated Design Day annual capacity."

25 On page 21, line 2, at the end of the sentence,

1 add the word "case" after "rate." The line should read
2 "revenue requirements adopted in the last rate case."

3 That would be the end of my corrections to the
4 testimony.

5 Q Thank you, Mr. Hickerson. With those corrections
6 noted, is your testimony as revised true and correct?

7 A (Witness Hickerson) Yes, it is.

8 MR. DOWDY: Mr. Chairman, I would ask that the
9 panel testimony be copied into the record, as revised, as if
10 given orally from the stand.

11 CHAIRMAN BURGESS: Subject to cross examination,
12 it'll be made a part of the record.

13 (Whereupon, the prefiled testimony of Messrs.
14 Lakey, Batson and Hickerson follows:)

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1 BY MR. DOWDY:

2 Q Mr. Hickerson, did you also cause to have prefiled
3 in this proceeding four exhibits which were previously
4 marked as LBH-1 through LBH-4?

5 A (Witness Hickerson) Yes, we did.

6 Q Do you have any corrections or revisions to those
7 exhibits?

8 A (Witness Hickerson) I have corrections on LBH-2
9 and LBH-3.

10 Q Would you give those.

11 A (Witness Hickerson) The \$1800 Mcf meter charge on
12 the summary rate sheets should be excluded on both LBH-2 and
13 LBH-3. That concludes the corrections.

14 Q And with those corrections noted, are your
15 exhibits true and correct as revised?

16 A (Witness Hickerson) Yes.

17 MR. DOWDY: Mr. Chairman, at this time, I would
18 ask that the prefiled exhibits, which were LBH-1 through
19 LBH-4 be given the Hearing Exhibits AGLC Number 18 through
20 AGLC Number 21.

21 CHAIRMAN BURGESS: They'll be so marked.

22 (The documents referred to were
23 marked for identification as AGLC
24 Exhibits 18 through 21.)

25 BY MR. DOWDY:

1 Q Has the panel prepared a summary of your
2 testimony?

3 A (Witness Hickerson) Yes, we have.

4 Q Would you please give it at this time.

5 A (Witness Hickerson) Yes. Good morning,
6 Commissioners.

7 In our testimony, we address three areas -- the
8 earnings sharing plan, the service quality plan and the
9 tariff change proposed by Atlanta Gas Light Company in this
10 proceeding.

11 As addressed by Ms. McLaughlin in this proceeding,
12 the company has proposed a three year earnings sharing plan.

13 Under the plan, earnings 75 basis points above the
14 authorized or target return on equity will be shared with
15 the active end use customers and the marketers. There will
16 be no sharing if the earnings fall below the authorized
17 return on equity. The company will not file for a rate
18 increase in base rates unless the achieved earnings falls 75
19 or more basis points below the authorized level.

20 As a result, the customers and marketers receive
21 the benefits of the company's efforts to improve
22 efficiencies, but assume no downside risk. The opportunity
23 to retain a portion of the earnings that result from
24 improved efficiencies provide the company with an incentive
25 to continue to improve its operations while the sharing

1 mechanism provides the customers benefits that would be
2 realized -- that would not be realized under traditional
3 regulations. Neither the incentive nor the sharing are
4 available under traditional regulations.

5 The second area is the service quality plan, also
6 explained by Ms. McLaughlin. The company is proposing a
7 service quality plan coupled with a sharing plan that will
8 ensure that improved earnings do not come at the expense of
9 service quality. The service quality standards included in
10 the plan address primary concerns to the customers, they are
11 the average leak response time standard directed at safety;
12 the meter reading accuracy standard that directed to correct
13 customer bills and the average speed to answer standard
14 which is directly related to customer care.

15 Under the plan, the company will be penalized if
16 its performance fails to meet these standards and will be
17 rewarded if the performance exceeds the standards.

18 The third area is rate design. The company
19 proposes that the rate increase be allocated to residential,
20 multi-family, and commercial class customers based on the
21 cumulative DDDCs of these customer classes. This approach
22 provides a fair allocation of costs and reflects relatively
23 the same allocation of revenue requirements as the last rate
24 case.

25 In this proceeding, we've proposed to eliminate

1 the separate meter reading charge. In the last case, meter
2 reading was assumed to be a competitive service, history has
3 shown this assumption to be incorrect.

4 In addition, we're proposing to eliminate the
5 seasonal disconnect/connect charge that has been a continued
6 source of confusion to the customers and a barrier to the
7 reconnection of customers who have left the system.

8 The mcf meter charge applicable to commercial
9 customers with high capacity meters has also been
10 eliminated.

11 The company is also proposing a slight
12 modification to the social responsibility rider. Presently,
13 customers who qualify under the rider receive a \$9 per month
14 credit, the company proposes that the credit be increased to
15 \$9.05 to fully offset the monthly customer charge.

16 In summary, the company is proposing the adoption
17 of the earnings sharing plan that will incent the company to
18 continue to improve and share the benefits with the
19 customers. These revisions are not available under
20 traditional regulation. The service quality plan will
21 ensure that the cost savings do not come at the expense of
22 customer service and the company's proposal to allocate the
23 rate increase is fair and reasonable.

24 This concludes my summary.

25 MR. DOWDY: Thank you, Mr. Hickerson. Mr.

1 Chairman, the panel is available for cross examination.

2 CHAIRMAN BURGESS: Ms. O'Leary.

3 MS. O'LEARY: Chairman Burgess, would it be all
4 right if I approach the panel with this extra microphone?
5 There is three of them and we saw with two yesterday it was
6 kind of hard to function.

7 CHAIRMAN BURGESS: That'll be fine.

8 MS. O'LEARY: Could we just go off the record?

9 (Discussion off the record.)

10 CROSS EXAMINATION

11 BY MS. O'LEARY:

12 Q Mr. Batson, I do know you, although admittedly not
13 by the name of Hugh --

14 (Laughter.)

15 Q But for Mr. Hickerson and Mr. Lakey, who may know
16 me, my name is Helen O'Leary and I represent advocate staff
17 in this matter. I'm going to be asking you some questions
18 about your prefiled panel testimony. Unless I specifically
19 address a question to someone, please anyone who knows the
20 answer and would like to reply, give the response.

21 Just from an organizational standpoint, I'm going
22 to run through my questions of you in the same order that
23 you've presented your testimony. First, the company's
24 request for performance-based ratemaking, which is
25 intertwined with the second issue of the company's proposed

1 quality service standards and then finally the proposed
2 tariff changes that the company is seeking. Okay?

3 In your testimony, the company references O.C.G.A.
4 Section 46-2-23.1 as the statute that provides for
5 performance-based ratemaking, is that correct?

6 A (Witness Batson) Which page are you referring to?

7 Q Gee -- seven?

8 A (Witness Lakey) Page 8.

9 Q Yes, starts on page 8. Is that a yes? You have
10 to answer verbally because the court reporter has to --

11 A (Witness Lakey) Yes.

12 Q And in your capacity as non-attorneys, you read
13 that particular statute and are familiar with its contents,
14 is that correct?

15 A (Witness Hickerson) Yes.

16 Q Not only are you familiar with the statute, but
17 parts of it are even referenced on pages 8, 9 and 10 of your
18 testimony, is that correct?

19 A (Witness Hickerson) That's correct.

20 Q Despite having stated that you read the statute,
21 you did, did you not, incorrectly represent to the
22 Commission on page 8, lines 8 through 9, that this law
23 encourages the Commission to issue an order implementing
24 PBRs including earning sharing plans; did you not?

25 A (Witness Hickerson) Would you say again where?

1 Q I said you indicated to the Commission on page 8
2 of your testimony, lines 8 through 9, that this law, the
3 statute I just referenced, encourages -- that's your word --
4 the Commission to issue an order implementing PBRs,
5 including earnings sharing plans; is that correct?

6 A (Witness Hickerson) Yes, that's correct.

7 Q Would you agree with me that there is no
8 legislative directive either encouraging or discouraging
9 such action in that statute, is there?

10 A (Witness Lakey) Actually I would disagree with
11 that. As you look, for example, on page 9, when it begins
12 to talk about what this plan or what an earnings sharing
13 plan is designed to do, it's designed to do a lot of
14 positive things. One, to produce lower prices for consumers
15 of Georgia; to provide incentives for the utility to become
16 more cost-effective and efficient; and to reduce regulatory
17 delaying costs. Those to me are encouragements of this
18 statute to adopt such a plan, those are benefits.

19 MS. O'LEARY: That was not my question. I would
20 ask, Mr. Chairman, if I could have my helper here pass out a
21 copy of the statute to the panel and to the Commissioners as
22 well -- my two helpers.

23 (A document was distributed.)

24 BY MS. O'LEARY:

25 Q I guess my specific question, Mr. Lakey, is that

1 there is no legislative directive -- like for instance there
2 are legislative directives I'm sure that you're familiar
3 with in the Natural Gas Act. Would I be correct in making
4 that assumption?

5 A (Witness Lakey) Yes.

6 Q Okay, there is no legislative directive in that
7 statute, I'll call it the PBR statute, that either
8 encourages or discourages this Commission to adopt a PBR.

9 A (Witness Lakey) Well, actually the first line
10 says that it's a method of establishing just and reasonable
11 rates. So I would --

12 Q And you take that -- I'm sorry, I don't want to
13 cut you off.

14 A (Witness Lakey) I'm sorry, I would take that as a
15 directive. This is a means by which to do that.

16 Q But again, it's not encouraging this Commission to
17 do it.

18 A (Witness Lakey) No.

19 Q And although you expressly cited Parts A, C and D
20 of O.C.G.A. Section 46-2-23.1 to support your proposed PBR,
21 you omitted subpart (b) of that statute in your testimony
22 and did not reference subpart (e) of the law either, did
23 you? Again, I would direct you to pages 8, 9 and 10 of your
24 testimony.

25 A (Witness Hickerson) No, they're not included.

1 Q Okay, and looking specifically at what O.C.G.A.
2 Section 46-2-23.1(b) says -- can we agree that it states,
3 and I quote, "A gas company may, from time to time, file an
4 application with the Commission to have its rates, charges,
5 classifications and services regulated under an alternative
6 form of regulation. Within 10 days of the filing, the gas
7 company shall publish a notice generally describing the
8 application in a newspaper or newspapers with general
9 circulation in its service territory." Is that what it
10 says?

11 A (Witness Hickerson) That's what it says.

12 Q The company never actually filed a formal
13 application with the Commission seeking a PBR, did it?

14 A (Witness Hickerson) No.

15 Q It's just in your testimony?

16 A (Witness Hickerson) We filed it in response to
17 directives in this case to file a case, and this is part of
18 our case and we filed it.

19 Q And are you stating, Mr. Hickerson, that somewhere
20 in the Commission's August 24 procedural and scheduling
21 order setting up the parameters of this earnings review, the
22 Commission directed you to file for a PBR?

23 A (Witness Hickerson) No, I did not say that.

24 Q You would agree with me that your testimony here
25 is not an application, is that correct?

1 MR. DOWDY: Mr. Chairman, that is a legal question
2 and given the staff's view of witnesses testifying on legal
3 issues, I would object to the question.

4 MS. O'LEARY: I don't think it is, it's either
5 testimony or it's an application.

6 MR. DOWDY: What constitutes an application is a
7 question of law and therefore this panel, based on staff's
8 view of yesterday, is not qualified to testify to that.

9 MS. O'LEARY: Well, I disagree with that. I can
10 maybe segue a little bit better into it.

11 CHAIRMAN BURGESS: Yes.

12 BY MS. O'LEARY:

13 Q Can we agree that what you filed in this
14 particular docket, with respect to your testimony, is
15 testimony?

16 A (Witness Hickerson) We have filed testimony, yes.

17 Q And the company frequently files applications for
18 such things as USF disbursements, does it not?

19 A (Witness Hickerson) Yes.

20 Q Is there testimony in USF applications for
21 disbursements?

22 A (Witness Hickerson) Not that I'm aware of.

23 Q The testimony that you filed for the company in
24 this case on January 28 was not assigned a docket number for
25 which there resulted a procedural and scheduling order in

1 which interested parties could file interventions, serve
2 discovery on the gas company or participate in hearings or
3 workshops that may be held regarding your proposed form of
4 alternate ratemaking, was it?

5 A (Witness Hickerson) Again, I'm not sure what the
6 requirements are for intervention.

7 Q I'm going to move along here a little bit. You
8 would agree with me, would you not, that today's proceeding,
9 as per the August 24 Commission procedural and scheduling
10 order for this matter, was for the purpose of the Commission
11 examining the earnings of the company and was never expanded
12 by this agency to provide that the company could ask for any
13 type of performance-based ratemaking in conjunction
14 therewith?

15 A (Witness Batson) I don't it either was prohibited
16 or asked for, I don't believe it's expressly prohibited or
17 expressly requested.

18 Q Okay, and I guess my question then is in the
19 almost six months that have elapsed after the company was
20 notified of the occurrence of this earnings review, the
21 company never filed a motion or request of any sort to
22 expand the stated scope of the proceedings in Docket 14311
23 to include filing by it of an application for an alternative
24 form of ratemaking, did it?

25 A (Witness Hickerson) No, not to my knowledge.

1 Q And as I previously read, in addition to O.C.G.A.
2 Section 46-2-23.1(b) requiring that an application be filed
3 seeking an approval of a PBR, the statute also requires that
4 the company publish in a newspaper or newspapers in its
5 service areas within 10 days of the filing a notice that
6 generally describes the PBR's contents; does it not?

7 A (Witness Hickerson) Yes.

8 A (Witness Batson) You do this to an application,
9 yes.

10 Q I didn't hear the answer.

11 A (Witness Batson) If there was an application,
12 yes.

13 Q Well, did you bring proof of that filing in the
14 newspaper with you today?

15 A (Witness Hickerson) No.

16 Q And as per the statute, that notice publication
17 would have had to be made on or before February 7, 2002,
18 which would be 10 days after the prefiled testimony was
19 filed with the Commission on January 28; correct?

20 A (Witness Batson) If your dates are correct, then
21 that would be correct.

22 Q Well, if you want to count -- I don't know if you
23 want to use a calendar.

24 A (Witness Batson) No, no.

25 Q Okay. Would I be guessing correctly -- well, I'm

1 going to move on from that.

2 Moving along to the other subpart of O.C.G.A. 46-
3 2-23.1 that I referenced was not highlighted in your
4 testimony, which is section (e), you would agree with me
5 that that provision states in relevant part that, and I
6 quote, "Where an application for an alternative form of
7 regulation has been filed by a gas company, and the
8 Commission determines that the proposal does not meet the
9 requirements of this Code Section, it may either reject the
10 proposal or issue an order approving an alternative with
11 such modifications as the Commission deems necessary to
12 satisfy the requirements of the Code Section." And there's
13 something else that I don't need to discuss with you. Is
14 that right?

15 A (Witness Hickerson) Yes. The rest of it is "The
16 Commission shall determine and prescribe in any such order
17 established rates and charges and revenue requirements of
18 the gas company filing the application."

19 CHAIRMAN BURGESS: Let me ask this question. Did
20 you consult with counsel at the company as to whether or not
21 your proposed PBR met the requirements of the statute as far
22 as filing an application. Were there discussions internally
23 as to whether or not what you submitted here today and are
24 testifying to today in the form of a PBR is in line with the
25 statute as it's laid out?

1 WITNESS LAKEY: Yes, we did.

2 CHAIRMAN BURGESS: And what was the counsel's
3 response?

4 MR. DOWDY: Mr. Chairman, obviously they can't
5 state attorney/client privilege data. Let me state --

6 MS. O'LEARY: I'll object to that, they can waive
7 the privilege.

8 MR. DOWDY: Let me state in my place, however,
9 that all of this line of question (1) is requiring legal
10 conclusions of this panel, including the provision as it
11 relates to application, including the provision as to
12 whether there's encouragement. This section that she quotes
13 from, she did not include the actual Act under which it was
14 adopted, and that Act does in fact have legislative intent
15 which says "promote and encourage an alternative form of
16 regulation." And it did it by codifying this section in the
17 Act.

18 MS. O'LEARY: That's not part of the Act, that's a
19 misrepresentation.

20 CHAIRMAN BURGESS: Let me get to my question.

21 MR. DOWDY: Which is a legal issue. This part is
22 based on a company sponsored proceeding, and that's why you
23 would have notice. In this case, we are not in a company
24 sponsored proceeding and the question is does the Commission
25 have authority in a rate review proceeding to establish PBR.

1 WITNESS LAKEY: Yes, we did.

2 CHAIRMAN BURGESS: And what was the counsel's
3 response?

4 MR. DOWDY: Mr. Chairman, obviously they can't
5 state attorney/client privilege data. Let me state --

6 MS. O'LEARY: I'll object to that, they can waive
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13 from, she did not include the actual Act under which it was
14 adopted, and that Act does in fact have legislative intent
15 which says "promote and encourage an alternative form of
16 regulation." And it did it by codifying this section in the
17 Act.

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19 misrepresentation.

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21 MR. DOWDY: Which is a legal issue. This part is
22 based on a company sponsored proceeding, and that's why you
23 would have notice. In this case, we are not in a company
24 sponsored proceeding and the question is does the Commission
25 have authority in a rate review proceeding to establish PBR.

1 Our view is yes, it is. If it's a Commission sponsored
2 proceeding, then we're not the ones providing notice. This
3 one doesn't apply as to the Commission's authority.

4 And as you know, there is no specific statute
5 dealing with everything that you can do in a proceeding like
6 this. You have brought it under a general supervisory
7 statute, there's no file and suspend that relates to the
8 Commission, and therefore, based on your view of your
9 authority in this proceeding, you necessarily have to be
10 able to deal with rate design and rate design issues, and
11 that is what we're responding to here and we do believe it's
12 within the authority of the Commission and we don't believe
13 (1) that that provision relating to the company's sponsored
14 application and notice applies to the section she just read
15 from in terms of whether the factors apply is not even
16 referring to these. It's referring to these items that are
17 delineated here in terms of whether it will provide
18 incentives for gas companies to lower its cost and rates,
19 not result in cross subsidization.

20 CHAIRMAN BURGESS: Hold on, Mr. Dowdy.

21 MR. DOWDY: And so it's those factors. And so
22 yes, it is my counsel -- it is my position that legally you
23 do have authority in this proceeding to address rate design
24 issues, including PBR, and therefore, in response to this
25 Commission initiated proceeding, we have proposed a PBR and

1 a specific rate design.

2 CHAIRMAN BURGESS: And let me just do this to kind
3 of move this along. I think the issue is important and I'm
4 going to ask all parties to address this in the briefs that
5 you file. I think it's a relevant issue as to whether or
6 not -- you know, without making any conclusions here today,
7 I think it would be best served that parties would -- I know
8 your position, I hear your position. Others might have
9 positions on it. And I would just ask, in order to move
10 this proceeding forward, that we have parties, any party
11 that desires to brief that issue at the time they file their
12 final briefs in this case.

13 MR. DOWDY: I agree; thank you, sir.

14 MS. O'LEARY: If I could just add one point,
15 Commissioner Burgess. I would imagine -- if the fact that
16 this is a Commission sponsored proceeding is to rule or
17 govern over everything else in this matter, I would imagine
18 then that counsel would support the position that a rate
19 case increase would not be appropriate either.

20 MR. DOWDY: To respond to that, I would say that
21 counsel would tell you that if you got an earnings review
22 you've got to be able to deal with what that determines, and
23 if the test year shows it's a rate increase, then yes, you
24 have a rate increase and you have the rate design to go with
25 that as part of this proceeding. So if you have authority

1 to have an earnings review where you can adjust rates, then
2 it has to be up or down.

3 CHAIRMAN BURGESS: We're going to move on.

4 MS. O'LEARY: I'll move on, Mr. Chairman, yes.

5 BY MS. O'LEARY:

6 Q And again, without looking at any potential
7 procedural infirmities that the Commission will take up at a
8 later point in time, --

9 MR. DOWDY: Objection, Mr. Chairman, move to
10 strike. If counsel could ask questions instead of making
11 narrative statements.

12 CHAIRMAN BURGESS: Let's go forward.

13 MS. O'LEARY: Can I not segue into a question? I
14 know that the issue is sensitive with you, but I think I'm
15 entitled to do that.

16 MR. DOWDY: Not with argument, Mr. Chairman.

17 CHAIRMAN BURGESS: We need to move on. If we
18 cannot find two attorneys that can get along and move this
19 thing along, then we'll get two substitutes going. We'll go
20 to plan B if we've got to. Let's move on, Ms. O'Leary.

21 MS. O'LEARY: Okay.

22 BY MS. O'LEARY:

23 Q Looking at a few of the more I guess prevalent
24 substantive requirements that a PBR must have before the
25 Commission can approve it, something that we're going to

1 need to do in this particular matter, but I guess first I
2 want to give the Commissioners a broader perspective on what
3 the company's PBR sharing proposal entails.

4 Would it be fair to state that via its proposed
5 PBR, the company is seeking an earnings sharing mechanism
6 that would be in effect for a three year period and which is
7 focused around the 12 percent ROE that Mr. Cassidy told us
8 about earlier?

9 A (Witness Lakey) Yes.

10 A (Witness Hickerson) Yes.

11 Q And that if the company were to earn 75 basis
12 points above or below that 12 percent band, there would be
13 no sharing of earnings or losses in their direction?

14 A (Witness Hickerson) That's correct.

15 Q So for all intents and purposes, since the company
16 gets to keep all earnings up through 12.75 percent, what AGL
17 really is asking for is an ROE of 12.75 percent and not the
18 12 percent endorsed by its witness Mr. Cassidy; correct?

19 A (Witness Hickerson) No. We're asking for the
20 rate of return -- rates to be set based on the rate of
21 return recommended by Mr. Cassidy with an earnings band
22 above and below in which there would be no sharing in either
23 direction. But we're asking for the 12 percent return on
24 equity, as testified to by Mr. Cassidy.

25 Q Okay, but via the PBR mechanism, if you're earning

1 12.75 percent, the company gets to keep it all, is that
2 right?

3 A (Witness Hickerson) Under traditional regulation,
4 if we went above that, we would continue to keep that also.

5 Q Well, we're not talking about a situation with
6 traditional ratemaking where the Commission could -- let me
7 finish -- where the Commission could look at the 12.75
8 percent, make a determination whether you're over-earning
9 and then bring you in as per this proposal for a rate case;
10 is that correct?

11 A (Witness Batson) That's correct. I guess I would
12 add that while you pointed out that there's an upside,
13 there's also a downside. And it's equal and symmetrical in
14 that if we were earning 11.25, we could neither come in at
15 the same place. So it would be incorrect to say you're
16 approving 12.75. You're approving 12 with a band above and
17 below, equal amounts, .75 above or .75 below. You could
18 make the same statement that you're approving 11.25, from
19 the example that you've just used, but we are asking that it
20 be based on the approved ROE, which is 12 percent, with the
21 band being .75 above and .75 below.

22 COMMISSIONER BAKER: Well, Mr. Batson, isn't it
23 true that that's what the company is asking for, that's what
24 they would like, but there are other ways to deal with a PBR
25 system and earnings bands, so that, let's say that

1 hypothetically you've got your 12 point ROE, that anything
2 over, earnings over that could be shared on a prorata basis
3 determined by this Commission, so that if there was a 12.75
4 earnings, it wouldn't all go -- the .75 percent would not go
5 all to the company. The commission could come up with some
6 other sharing formula to say that a portion of that would go
7 to the company, a portion back to ratepayers as far as
8 refunds go.

9 WITNESS BATSON: Yes, sir, Commissioner Baker, but
10 one of the things that I believe is specified is it must be
11 equal and symmetric, and so to the fact that it's shared
12 above, there would have to be some mechanism put in place to
13 share the downside, to automatically increase rates to make
14 that up, so that you shared the downside. So that's why we
15 put the band in equal on each side, to match that
16 symmetrical piece. But what you've said is yes, you can
17 pick any range at any point, any sharing portions that you
18 would like.

19 COMMISSIONER BAKER: Well, right now under the
20 company's current proposal, how would the PBR sharing
21 mechanism work, and if you could just go through its
22 increments, let's say, starting with your hypothetical 12
23 percent ROE. What happens, what's the next trigger point?

24 WITNESS HICKERSON: You do it.

25 WITNESS LAKEY: The next trigger point, if you

1 take the target ROE to be 12, and I'll refer to the exhibit
2 that we've got over there, I believe it's Exhibit LBH-1, the
3 red line indicates a target ROE of 12 percent. The moment
4 that you get 75 basis points above that 12 percent or 12 to
5 12.75, the company gets to share -- retain those earnings.
6 The moment you move above 12.75 and 100 basis points, a full
7 percentage, to 13.75, the company then would share that 50
8 percent with customers and 50 percent with itself, or retain
9 50 percent. And when I describe customers, I mean both end
10 use customers and marketers. Beyond the 13.75 and I guess
11 to infinity, the company would agree to share at a basis of
12 one-third company, two-thirds customers; again, customers
13 being defined as both end use customers and marketers.

14 BY MS. O'LEARY:

15 Q Is it a correct statement to say that what the
16 company in essence is requesting is a two tiered earnings
17 sharing mechanism, which in the first tier, if the company
18 reports earnings of 12.76 through 13.75 percent, the company
19 proposes that this be shared -- 50 percent be kept by the
20 company, 25 percent go to marketers and then another 25
21 percent go to end use customers; correct?

22 A (Witness Hickerson) That's correct.

23 Q And just for clarification, does not your
24 testimony define the end use customers as being active firm
25 end use customers?

1 A (Witness Hickerson) That's correct.

2 Q And what exact does that mean and how will that be
3 determined?

4 A (Witness Hickerson) That'll be the customers that
5 are actively on the system at the time of the sharing.

6 A (Witness Batson) Let me clarify that a little
7 further. One of the difficulties you run into when you deal
8 with customers -- and I think we've run into this down here
9 several times on rebates -- is at the time you're actually
10 sending money back to the customer, it's very difficult if
11 the customer has left the system. If they lived in Georgia
12 and then they have moved away, it's not our proposal that
13 you would try to find that customer and make that refund to
14 that customer. Any refunds that would be applicable would
15 actually flow to those customers on the system, because
16 practically speaking, that's probably the best that you
17 could achieve.

18 Q As the company envisions the second tier of
19 sharing, if the company reports earnings of 13.76 percent or
20 above, AGLC then proposes that the sharing is then done one-
21 third/one-third/one-third between itself, marketers and
22 those active firm end use customers, correct?

23 A (Witness Hickerson) That's correct.

24 CHAIRMAN BURGESS: Why would the marketers share
25 in any over-earnings? I'm puzzled by that.

1 WITNESS LAKEY: Marketers are customers of Atlanta
2 Gas Light Company just like the end use customers are
3 customers of Atlanta Gas Light Company and they're integral
4 in this model to getting gas to customers.

5 CHAIRMAN BURGESS: Yeah, but are they sharing in
6 the distribution system costs? You know, I don't understand
7 that. When you look at -- expenses and revenues come from
8 that make up of what we're talking about here today, setting
9 a rate structure out -- I mean you're talking about your
10 firm customers here but where marketers would fit into this
11 equation and why they would receive a third of any excess
12 earnings, that's puzzling to me.

13 COMMISSIONER BAKER: Yeah, I agree. You're going
14 to have to go into some detail to explain why they'd get a
15 penny. This is your chance right now.

16 (Laughter.)

17 CHAIRMAN BURGESS: Maybe Mr. Remar back there has
18 got an answer.

19 MR. REMAR: I'll take an oath, Mr. Chairman.

20 WITNESS LAKEY: If I could get you to repeat that
21 question again, then I'll try to address it.

22 MS. O'LEARY: I didn't ask it, he did.

23 COMMISSIONER BAKER: The question is why are the
24 marketers going to be sharing in any over-earnings as
25 opposed to all of the over-earnings being shared strictly

1 between the company and firm ratepayers.

2 WITNESS LAKEY: Again it goes back to the fact
3 that Atlanta Gas Light Company has two types of customers
4 and those customers are those eight active marketers and the
5 1.5 million end use customers -- they're both customers of
6 Atlanta Gas Light Company.

7 COMMISSIONER BAKER: Okay, you're going to have to
8 do a lot better than that. I mean right now you bill out
9 your services for distribution to the -- you prorate it to
10 the eight marketers that are in the marketplace as of today.

11 Now I assume, using basic logic, they take that and they
12 apportion that out to their various customers, the firm
13 customers, who you technically are billing. Now where do
14 the marketers chip into this, where do they pay for
15 something out of their own pockets, they're apportioning all
16 these costs out to the firm ratepayers. Where is any of the
17 expense coming out of their pocket?

18 WITNESS LAKEY: You're correct in that the base
19 charges of Atlanta Gas Light Company are passed through
20 marketers to end use customers, so marketers do not
21 contribute to the base rates or the earnings of Atlanta Gas
22 Light Company. That is correct. Just trying to envision
23 that they are an integral part of the model, they're an
24 integral part of the system. There's the LDC, the marketers
25 to get -- for Georgians to be served natural gas.

1 CHAIRMAN BURGESS: I guess it's strange in that,
2 you know, this Commission does not set rates for marketers,
3 yet we'd be endorsing and earnings sharing plan that
4 provided some contribution to marketers and from a policy
5 perspective, that would concern me.

6 BY MS. O'LEARY:

7 Q Mr. Lakey or anyone on the panel, from my
8 clarification, assuming that the earnings of the company
9 were in fact reported after the first year to be 13.76
10 percent, would the second tier of sharing kick in and would
11 the company, marketers and firm active end use customers
12 take a one-third/one-third/one-third split of one percent or
13 of the 101 basis points above 12.75 or of all the basis
14 points above 12, which would be 176?

15 A (Witness Lakey) Actually from the moment that you
16 exceed the 12.75 up to the 13.75, those earnings would be
17 shared at the 50/50 level and that incremental piece that
18 falls above would be shared at the one-third, the one-third
19 and the one-third.

20 Q If I understood what was stated before, as per
21 your proposal, if AGLC earns 11.24 percent, which
22 incidentally is 25 basis points higher than its currently
23 approved ROE or less than 11.24 percent, the company can
24 file a rate case at any time.

25 A (Witness Hickerson) That's correct.

1 Q With respect to any losses from earnings at the
2 11.24 percent or below range, are we talking about actual or
3 projected earnings by the company?

4 A (Witness Hickerson) That would be actual.

5 Q As per your proposal, if AGLC earns let's say
6 16.76 percent, AGLC shares the excess earnings with
7 marketers, active firm use customers and is allowed to
8 continue in its unfettered over-earning until at least the
9 third year of the accounting order is over; is that correct?

10 MR. DOWDY: Mr. Chairman, objection,
11 argumentative.

12 MS. O'LEARY: Remove the word "unfettered" and the
13 same question.

14 CHAIRMAN BURGESS: Absolutely.

15 A (Witness Hickerson) It would stay in effect for
16 three years.

17 BY MS. O'LEARY:

18 Q And unlike the situation in which AGLC is
19 permitted by your proposal to file a rate case at any point
20 in time within the three year life of the PBR, the ratepayer
21 and the Commission would have to wait out the entire
22 duration of the PBR before it could get some relief;
23 correct?

24 A (Witness Hickerson) On the downside, the company
25 would absorb all losses, so anything below the 12 percent,

1 they would not get to recover that, so there would be no
2 sharing. So while we would be able to file a rate case, we
3 would not be able to recover any of that downside loss.

4 Q I guess my question though, Mr. Hickerson, is
5 this, would you agree with me that although you have a floor
6 to how much the losses can be, there is no ceiling to how
7 high the company can over-earn where the Commission can
8 bring you in -- you meaning the company -- for a rate case.

9 You have the floor of 75 basis points and at any point in
10 the three years, you're right in here filing for a rate case
11 if you're under-earning. But let's say if in the first
12 year, you're found to be earning let's say 16.75 percent,
13 too bad until three years have passed; is that it?

14 A (Witness Hickerson) The customers would
15 immediately get a sharing if we were -- in that first year.

16 Q Looking at the cost potential of your proposal,
17 assuming that 100 basis point is worth \$10 million in this
18 case and assuming that the Commission approves both the PBR
19 and Mr. Cassidy's 12 percent ROE, can we agree that the plan
20 that you are promoting has the potential to cost ratepayers
21 another \$7.5 million before so much as the first penny of
22 any sharing would kick in, if it ever kicks in?

23 A (Witness Batson) I think that that would be true
24 on the upside and the downside would be equal and
25 symmetrical, the fact that the company could lose \$7.5

1 million without any recourse.

2 Q And assuming for purposes of this question only
3 that the Commission accommodates the company's requested 12
4 percent ROE and implements the company's PBR as proposed,
5 and in year one an earnings level of 16.76 percent is
6 reported -- are we together? Are you following? Even with
7 the two-tiered approach that have endorsed, AGLC will be
8 \$22.5 million better off than if this Commission gave the
9 company a set ROE and retained its right to bring the
10 company in for an earnings review at any time; isn't that
11 right?

12 MR. DOWDY: Mr. Chairman, the premise is not based
13 on anything in the record and it's just factually incorrect
14 based on the delayed regulatory -- or regulatory lag on
15 traditional regulation. She has not established on the
16 record that her premise would be something that would in
17 fact occur.

18 MS. O'LEARY: I think this case is a demonstration
19 that it could in fact occur.

20 MR. DOWDY: Over time. So you can't pick a point
21 in time and say, Mr. Chairman, at this point in time, you'd
22 be earning \$22 million more than you would if this were
23 traditional regulation. Their ROE could be at that point in
24 time 12.75 or 13.25 and there would be no sharing automatic
25 and any rate review would take six month with all relief

1 prospective, not retroactive. So in fact, it may earn more
2 money under traditional regulation than under this
3 alternative regulation.

4 So again, objection to the premise of the
5 question.

6 MS. O'LEARY: I'm asking -- this is a hypothetical
7 and --

8 CHAIRMAN BURGESS: That was what I took it to be,
9 a hypothetical and you know, I guess what would be
10 beneficial for this Commission is we need to understand how
11 this proposal works. You know, how it works between the
12 various tiers and I think that's what Ms. O'Leary is trying
13 to get a -- help me get an understanding of exactly how this
14 plan would work if hypothetically we got to these different
15 areas, because this plan is layered and we need to
16 understand precisely how it would work. You know, the devil
17 is in the details all the time.

18 I want to make sure we've all got the same
19 understanding of how this would work if this Commission were
20 to adopt it.

21 MS. O'LEARY: May I suggest Commissioner Burgess -
22 - and I don't know if I'm the one with the ringing
23 microphone -- but --

24 COMMISSIONER MCDONALD: We didn't have that until
25 Mr. Hawes came in the room.

1 MS. O'LEARY: I noticed that.

2 (Laughter.)

3 MS. O'LEARY: Perhaps on redirect when Mr. Dowdy
4 has this panel, he can clear up any confusion he may think
5 that I'm putting in the record, that I don't see.

6 MR. DOWDY: Mr. Chairman, I of course reserve my
7 right to object to questions that I think are objectionable.
8 But I was rising to say that if the portable mic is causing
9 the feedback, let's move the location.

10 MS. O'LEARY: I think it was me ringing because
11 since I've pushed the mic back, my big mouth isn't right in
12 it.

13 CHAIRMAN BURGESS: I'm pushing the little button
14 up under here, that means you need to move on with your
15 questions.

16 MS. O'LEARY: Good deal. I am going to move on.

17 BY MS. O'LEARY:

18 Q And in that scenario, where I just proposed the
19 outcome would be a \$22.5 million impact on customers, the
20 customers would result, by the sharing mechanism, in I guess
21 getting \$12.5 million, which would be about half of what the
22 company is getting; correct?

23 A (Witness Hickerson) I believe your math is
24 correct.

25 Q So while the customers are getting \$12.5 million

1 in sharing, in actuality they'd be paying \$47.6 million
2 higher than the just and reasonable level to do so, assuming
3 an ROE of 12 is found by the Commission to be just and
4 reasonable; correct?

5 A (Witness Lakey) Actually I sort of disagree with
6 the premise in that although there would be an impact, as
7 you have described as far as a rate, the company doesn't get
8 to keep all of their share. For example, in the first 12 to
9 12.75 where the company retains the 75 basis points, in
10 which we've said that one basis point -- excuse me, one
11 percentage is \$10 million, that's going to represent \$7.5
12 million in revenue for the company to retain. But the
13 company has to pay tax on that, so the net effect that the
14 company actually gets to keep is \$4.5 million.

15 However, when you look at what the other
16 customers, whether it's end use customers or marketers, they
17 don't have that same tax consequence, so they get all their
18 share of those savings or benefits.

19 Q So you're saying -- I'm going to move on. Would
20 you agree with me that nowhere in your testimony does it
21 detail that any customer surveys were done that would
22 reflect customer support for the sharing plan that you've
23 proposed?

24 A (Witness Hickerson) There's nothing in our
25 testimony on surveys.

1 Q Were any surveys done to see if customers would
2 want to do this? Customers meaning consumers.

3 A (Witness Hickerson) Not to my knowledge.

4 COMMISSIONER BAKER: Can I ask the panel about
5 another aspect of this PBR plan, about your service quality
6 standards that you're going to be evaluating or using as
7 benchmarks? Are there the three main benchmarks or
8 standards that you're using or are there more that I'm just
9 missing here in the testimony? I'm looking at page 15,
10 beginning on line 17. Could you go through some of the --
11 what are the standards y'all are going to be monitoring and
12 measuring?

13 WITNESS BATSON: There were three standards,
14 Commissioners. One being leak response, and that would be
15 the time from which a customer service representative took -
16 -

17 COMMISSIONER BAKER: Right.

18 WITNESS BATSON: -- took a call to the time that
19 the first responder showed up at the home or the premise,
20 wherever the call was for.

21 There was also a standard around cycle meter
22 reading time. Each month the company reads all the meters
23 and trying to achieve a -- establish a level of accuracy
24 around meter reading. Two reasons for that. In the plans
25 that we've looked at, many of these we looked at were from -

1 - there was a study in New York done. One of the main
2 standards that seemed to keep showing up was meter reading
3 and billing. But billing is not a function that AGLC
4 controls but meter reading is a component of billing because
5 that's how you determine what the charge would be.

6 COMMISSIONER BAKER: Right.

7 WITNESS BATSON: And so that's why we chose meter
8 reading.

9 Average speak of answer, ASA is the language that
10 they use in the industry, is how fast someone actually picks
11 up the -- gets to talk to a customer service representative
12 and that's a customer care issue there, how long do you want
13 to be on hold until you can actually talk to someone.

14 COMMISSIONER BAKER: Could there be other
15 standards?

16 WITNESS BATSON: There could be other standards.

17 COMMISSIONER BAKER: Could one of those -- one
18 issue that keeps coming up on a repeated basis that seems to
19 be a little perplexing to me is the issue of line loss and
20 the amount of gas that or product that is lost through line
21 loss that is put into the category of lost and unaccounted
22 for gas. Could that also be -- could we set a standard for
23 that to improve the quality of the company's performance in
24 that area?

25 WITNESS BATSON: Commissioners, maybe I want to

1 explain why also in addition these three that were picked,
2 lost and unaccounted for is a standard or an average in the
3 industry. Meter reading is something that the company has a
4 direct control over, how accurate the meter is read, how
5 often the meter is read and how good you do that. That's a
6 one-to-one type relationship. How fast you answer the
7 phone, you have a direct connect relationship on.

8 Lost and unaccounted for is somewhat different
9 than that because damages to lines and things that create a
10 lot of that line loss are not within the company's control.

11 We always work to reduce that, there's no incentive not to
12 work to reduce that, but we can't control that in Atlanta,
13 Georgia or in Georgia by nature in a growth state that there
14 is a fair amount of construction, which also adds to damages
15 which is part of line loss, lost and unaccounted for. But
16 it is an average out there that you can compare to others.

17 COMMISSIONER BAKER: When you say there's an
18 industry standard, what's the industry standard that we're
19 not applying here in Georgia?

20 WITNESS BATSON: I didn't say there was an
21 industry standard, I said you might could establish one.
22 There is -- there probably is an average, there's a median,
23 you would just have to look at all the companies, but I did
24 not review that for this case.

25 COMMISSIONER BAKER: Okay. I mean, what -- is the

1 company doing anything as far as trying to mitigate line
2 loss by pursuing theft of services to try to curtail that?
3 My information is that there hasn't been anything done since
4 1995.

5 WITNESS BATSON: We treat theft of service much
6 like we did in 8390-U. Someone would respond to that theft
7 of service -- it shows up as a consumption on an inactive
8 meter, which means someone has gone to that meter to read
9 that meter at that home and there's actually gas going
10 through the meter when the meter should be cut off. That
11 generates an order to have someone go out to investigate.
12 Typically the next step would be to remove that meter.

13 BY MS. O'LEARY:

14 Q With respect to the sharing regime that has been
15 proposed that includes marketers, would you agree with me
16 that AGLR has an affiliate that has an interest in a
17 marketer, SouthStar Energy Services, that stands to gain
18 from marketers being given a piece of the earnings?

19 A (Witness Hickerson) AGL Resources does have an
20 affiliate that does own a part of SouthStar, that's correct.

21 Q And as per this sharing regime, they would -- you
22 know, if it was approved by the Commissioners, they would
23 get a piece of the sharing, depending on the amount above
24 12.75; correct?

25 A (Witness Hickerson) They would be treated as any

1 other marketer.

2 Q I also would be correct, would I not, if I pointed
3 out that the company's whole customer sharing plan hinges
4 utterly and completely on whether a marketer actually is
5 willing to pass along to its customers their portion of the
6 sharing?

7 A (Witness Hickerson) Their portion is subject to
8 their agreement to pass that on. Now the portion that goes
9 directly to the customers should be flowed through
10 automatically.

11 Q Mr. Hickerson, you used the word "agreement," have
12 you achieved or accomplished the accumulation of eight sets
13 of agreements?

14 A (Witness Hickerson) No, it would be -- that would
15 be at the time of the sharing, it would be up to the
16 marketer to determine the portion of the amount that would
17 be flowed through or their share, what the competitive
18 environment was at the time would probably determine how
19 much of that or what portion they would flow through.

20 CHAIRMAN BURGESS: Let me ask you, could you do it
21 this way, could you simply reduce the pass-through what you
22 bill the marketers, if there were some sharing? You reach
23 the band and this Commission would adopt this proposal, the
24 marketers are paying, you know, so much per customer and you
25 pass these base charges along, couldn't you just simply

1 reduce it and then we've got rules in place that say that
2 marketers must simply pass through the base charges that are
3 assessed without any markup, so thereby effect some credit
4 or reduction to the consumer that way?

5 WITNESS LAKEY: Absolutely. The premise -- and
6 it's outlined a little bit in the testimony -- would be that
7 the customers' portion would be treated like any other
8 refund where it would be mandated to have to be passed along
9 to the end use customer. But, like you say, we could also
10 reduce the AGLC base charges to ensure that.

11 WITNESS BATSON: Could I clarify something?
12 Commissioner, are you asking that in addition to the PSC,
13 what I think the testimony refers to as a credit, so the end
14 use customer has a credit, then you're speaking to the
15 marketers' portion would also be a reduction in the charge?

16 CHAIRMAN BURGESS: I'm not talking about the
17 marketers' portion, not really.

18 WITNESS BATSON: Okay, I wasn't sure. I guess
19 what I was saying is, you know, that -- what you propose
20 could be the way you treat the marketers' portion as well, I
21 was trying to clarify whether that was what you were getting
22 to, because that would ensure that it was passed through to
23 the customer versus being a choice. I thought that's where
24 you were going.

25 CHAIRMAN BURGESS: That part needs some more

1 study.

2 (Laughter.)

3 WITNESS LAKEY: If I could sort of comment on that
4 line, when we pulled this together, we came from the
5 perspective that Atlanta Gas Light Company had two
6 customers, marketers and end use customers. But a
7 reasonable person could also substitute, for example,
8 marketers for a different set of rate class customers; for
9 example, a reasonable person could say the company has its
10 share, residential customers, for example, have 25 percent
11 or commercial customers have the other 25 percent. So that
12 could be a reasonable suggestion also.

13 BY MS. O'LEARY:

14 Q Could I ask, Mr. Lakey, as you just indicated when
15 you pulled this together, when you say "we pulled this
16 together," we means just people at the company, nobody from
17 the Commission sat down and was asked to contribute anything
18 to this, none of the marketers were asked to contribute
19 anything to this; is that correct?

20 A (Witness Lakey) That is correct, it's a company
21 sponsored earnings sharing plan.

22 Q Much has been made in your testimony about Georgia
23 Power operating under an earnings sharing mechanism. As yo
24 know from your examination of both the '98 and 2001 Georgia
25 rate case orders, the method of allocation that Georgia

1 Power Company participates in with its customers is a one
2 tier sharing arrangement in which two thirds of excess
3 earnings go to customers and the remaining one third can be
4 kept by the company; correct?

5 A (Witness Lakey) That's correct.

6 Q And unlike AGLC's proposal, Georgia Power's
7 sharing mechanism is not linked to any type of performance
8 standards that must be met, correct?

9 A (Witness Lakey) I believe that to be correct.

10 A (Witness Batson) But let me -- I guess what I
11 would say is the reason that the performance standards were
12 added was to give this Commission comfort that when the
13 company is working to improve or working to increase its
14 earnings, that that would not be done at the expense of the
15 customers -- how fast you answer the phone, how fast you
16 respond to the field -- so that was clearly put in there as
17 a benefit, like collar type process that gives you that
18 assurance that you will receive as good or better service at
19 the same time as the company is trying to improve its
20 operations. So that's specifically why the performance
21 standards were added to this plan.

22 CHAIRMAN BURGESS: I guess one concern I would
23 have regarding -- I've seen your performance standards here
24 -- you know, rewarding you for really doing what you should
25 do any how. You know, it's my contention that every utility

1 should seek to provide the highest quality of service to
2 their customers. I hope that's -- it's incumbent when we
3 grant a certificate to an entity to provide service, they
4 should strive, without any carrot approach, to provide high
5 quality service to their customers. So when I see that
6 we've got to give you something extra to make you do really
7 what, you know, is contained in your mandate -- you should
8 do that regardless of any reward or penalty, strive to
9 provide the highest quality of service. So now we've kind
10 of really got to pay you an extra incentive to do what you
11 should do anyhow. It gives me a little bit of concern, to
12 be quite honest with you.

13 WITNESS BATSON: We will always, at Atlanta Gas
14 Light Company, strive to provide the best customer service
15 for our customers, Commissioner. I understand your point.
16 I guess the key there is when we propose performance
17 standards, it will be already an excellent performance and I
18 think if you read in our testimony, it proposes a band that
19 says on either side of those, nothing really happens. So
20 there's certainly opportunity to improve without any form of
21 reward. We didn't propose specific rewards here, we didn't
22 propose that because that's something we would have to work
23 with staff on, how would that actually work.

24 But cycle meter reading, for example, the goal
25 today is 99.4 percent. There's really a little room for

1 upside, but there's not a tremendous room for upside. So we
2 would not in any way say that we need to be paid for
3 excellent service, we will do that. But we would also feel
4 like at some point, there are some exceptional levels of
5 service and if the company can meet something that's
6 exceptional out there, it might be appropriate to consider
7 some reward.

8 BY MS. O'LEARY:

9 Q I have a whole line of questions that follows up
10 on that, but I'm going to keep moving on with what I have
11 and jump back to that if that's all right.

12 Mr. Batson, I noticed in your sharing proposal on
13 page 7, lines 22 to 23, that the company envisions plan
14 calculations will be performed annually and disbursements,
15 if any, will be automatic, correct?

16 A (Witness Batson) I believe that's the testimony.

17 Q And does that testimony mean basically that the
18 company, all by itself, will make the plan calculations and
19 then just set up the disbursements without hearing from
20 anybody else?

21 A (Witness Batson) I don't think that would be the
22 proposal. I have a suspicion that we would work with the
23 staff to work the specific number up and then grant that
24 back. Most things are done in conjunction with the gas
25 staff on stuff like that.

1 Q You're aware, are you not, that the Georgia Power
2 sharing mechanism only takes place after a year's worth of
3 surveillance reports have been filed by that electric
4 company, after staff has had a full and cooperative review
5 of the filings of Georgia Power and is permitted to propose
6 any adjustments and then the Commission has the ultimate
7 opportunity to expressly approve the amounts to be shared?

8 A (Witness Batson) And I think this company would
9 be willing to work with the Commission in the same manner.

10 Q As per your testimony, however, unlike Georgia
11 Power's scenario, your plan doesn't contemplate that AGLC
12 will make surveillance filings, does it?

13 A (Witness Batson) I don't think we addressed that.
14 If that's something that you would like, we could certainly
15 work on that.

16 Q And as per your testimony, your plan never
17 provides for any type of staff review of Atlanta Gas Light
18 Company's calculations to determine whether they're accurate
19 and prudent, does it?

20 A (Witness Batson) We would be willing to work with
21 the staff on that.

22 Q You would agree with me, would you not, Mr.
23 Batson, that staff and the company, more often than not,
24 disagree with financial adjustments that the company makes
25 in various regulatory matters?

1 A (Witness Batson) I wouldn't be the right one to
2 answer that specifically.

3 Q Let me change the question.

4 A (Witness Batson) I don't file the financial data.

5 Q Well, I don't know who would file financial data,
6 but Mr. Batson, you're down here quite often, I think you're
7 down here at least once every week or so that I see you at
8 various meetings. You would agree with me that in the past,
9 staff has had issues dealing with financial matters with the
10 company.

11 A (Witness Batson) As in any proceeding, there will
12 be some differences of opinion and I feel like most of the
13 time we work with the staff to resolve what those
14 differences are, or clearly get down to what we can clearly
15 not agree on. But at any time, there's two opinions to a
16 situation, I don't disagree at all.

17 CHAIRMAN BURGESS: Ms. O'Leary, are you at a point
18 in time where we could break now?

19 MS. O'LEARY: Break now meaning?

20 CHAIRMAN BURGESS: Take our lunch break.

21 MS. O'LEARY: Oh, okay.

22 (Laughter.)

23 MS. O'LEARY: I thought you meant burst into tears
24 -- sure.

25 (Laughter.)

1 CHAIRMAN BURGESS: Let's take a 45 minute break
2 for lunch and come back at 1:15.

3 (Whereupon, a luncheon recess was taken at
4 12:30 p.m., the hearing to resume at 1:15 p.m.,
5 the same day.)
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AFTERNOON SESSION

CHAIRMAN BURGESS: This is docket number 14311-U,
Atlanta Gas Light Company's earnings review.

Recognize Ms. O'Leary.

MS. O'LEARY: Thank you. Commissioners, and
intervenors and parties, I have cut down a lot of the
questions I have. You have gotten a little bit ahead of me
in spots, and I'm sorry if I have to back-peddle a little.
I really don't think I'll be maybe 20 to 30 more minutes,
and I appreciate your indulgence.

Whereupon,

GARY N. LAKEY

H. BRYAN BATSON

ARCHIE R. HICKERSON

RESUMED their status as witnesses, and having previously
been sworn, were examined and testified as follows:

CROSS EXAMINATION (Continued)

BY MS. O'LEARY:

Q Just one last line of questions before we migrate
away from the issue of Georgia Power's earnings sharing
mechanism and what the company has proposed. You would
agree with me, would you not, from your reading of the
statute that you cited in your testimony O.C.G.A. 46-2-23.1
that that statute is only applicable to what must be done
before PBR could be granted to a gas company and not to an

1 electric company like Georgia Power, is that correct?

2 A (Witness Hickerson) That's correct.

3 Q Just, I'm going to leave this issue in the
4 interest of time. As per the part of your testimony that
5 addresses performance incentives, you propose standards be
6 established for only three of the many functions that the
7 company executes, correct?

8 A (Witness Batson) That's correct.

9 Q And as per you proposal, if I understood
10 correctly, the functions deal with meter reading, customer
11 service response times, leak response time and that's it,
12 correct?

13 A (Witness Batson) Those were the three.

14 Q And as per what the company contemplates in its
15 proposal, an unspecified financial reward from an unknown
16 monetary source would be reaped by AGL for meeting the
17 standards and an unspecified financial penalty will be
18 exacted from an unknown source if the company missing them.

19 Is that a correct characterization?

20 A (Witness Batson) Exactly. That's something that
21 would need to be worked through with staff.

22 Q Correct me if I'm wrong, Mr. Batson, but as it
23 relates to these functions alone, no standards are
24 identified let alone endorsed as the desired benchmarks in
25 your testimony, are there? And when I say that I mean no

1 number of meters to be read accurately is proposed, no leak
2 response time to be adhered to is endorsed, no parameters
3 placed on the speed of responding to customer calls is set
4 forward?

5 A (Witness Batson) That's correct, and that was
6 done specifically because of the fact that in this case
7 there were some additional funds that went into areas that
8 would impact those and quite possibly could improve those.
9 So I think it would be incorrect to set a standard now which
10 might actually be improved upon in that first year. Also in
11 working to set that standard, we wanted to set a standard
12 that was clear and visible to the staff as well and see
13 exactly what is being measured and how it is being set. So
14 any standard we set coming into this proposal would blend
15 itself to a lot of argument whether it was correct, right,
16 or the right number, and this way we will be setting it in
17 full view in that year so that it's a verifiable standard
18 that's measurable.

19 Q Okay. Do I understand though correctly through
20 your testimony in this case that the company is proposing
21 that the earnings sharing mechanism and the performance
22 standard, the performance standards as an incentive be
23 initiated immediately after this rate case?

24 A (Witness Batson) The PBR proposal here would go
25 immediate. These others you would take -- I believe the way

1 it is discussed, the first two would be set after the first
2 year and go into effect at that time. It gives you a time
3 to get a base of measurement of a full 12 months so you know
4 you set the correct standard for the correct amount and it
5 is representative. And then the next year you would set the
6 average speed of answer, and the reason it is delayed one
7 year past that is those other issues will directly affect
8 your average speed of answer and therefore it may as well
9 come down, and if you set it today, you may actually set it
10 too high. And when I say too high, too lenient from the
11 perspective of what the company is able to deliver after
12 these others are in place.

13 Q Okay. So after being approved, I think the
14 decision order in this case comes out on something like
15 April 29th of this year. Do I understand the proposal to say
16 that the company wants to then spend some time to reach an
17 agreement with the Commission by using the first year of the
18 plan to establish a process that tracks and reports annual
19 leak response time and average meter reading cycle accuracy?

20 A (Witness Batson) We would put forward 12 months
21 worth of data. Let's make that very apparent and clear so
22 that people will see what was being measured and how it is
23 being measured and so that it would then be on a -- from
24 that a go forward basis. So, yes, it would take some amount
25 of time, but exactly 12 months -- you would use 12 months

1 data. You might be able to, if you get to the right
2 standard, a little bit before that.

3 Q Don't you have that data back at the company?

4 A (Witness Batson) We have current a goal of 99.4
5 for meter reading actual cycle time. Again, as I said, some
6 of the proposal, some of the things that we've tried to put
7 into this case would hopefully approve that, and if you set
8 it at 99.4, you may be under-setting the goal. So, again,
9 yes, we have goals. They are stated goals and they are
10 posted goals. And we always seek to achieve and improve
11 those, but again, as we improve on that, that 12 months data
12 would be very clear and apparent for everyone to see what it
13 set and why it was set at that number.

14 Q Again, I'm trying to eliminate questions.

15 CHAIRMAN BURGESS: Let me ask a question while you
16 are right there, Ms. O'Leary.

17 On page 19 of the testimony down at line 20 and
18 21, and you talk about dollars that are being requested in
19 this case for customer service funding and field service
20 funding. What about elaborating on that for me. What is
21 that money specifically for?

22 WITNESS BATSON: All right. On the customer
23 service funding, Commissioner, that's specifically targeted
24 at customer service representative to answer the phone. If
25 you use the 50,000 as an average number, then you are

1 looking at about 20 employees, in that category. And the
2 two million dollars in the field area, if you use an average
3 -- that probably represents about 30 employees in that area
4 as well. And so, again, my point would be, when you put
5 those in place, you would expect to see some improvements.
6 And if you set your standards prior to that being in place,
7 you probably under shot your standards.

8 BY MS. O'LEARY:

9 Q Again, cruising right along here, while you would
10 agree that these three functions that you identified are
11 important, what about all the other things that have been
12 important down here at this Commission. For example,
13 measuring accuracy levels and switching customers from one
14 marketer to another whether USF deposits are made by the
15 company and whether they are made in a timely manner.
16 Whether the connecting and reconnecting of customers is done
17 within acceptable time frames, whether coal tar sites are
18 cleaned up in a timely and efficient manner. Isn't that
19 something also that should be in the PBR?

20 A (Witness Batson) We try to pick the standards
21 that we think are most directly beneficial to the end use
22 customer. The most obvious and I've looked at the plans
23 that we have seen and these are the same types of standards
24 that are used in other plans, as I mentioned, in New York.
25 One thing that these other plans do take into consideration

1 that we couldn't figure out a way to do here was customer
2 satisfaction because today if you try to do a customer
3 satisfaction survey, customers still can get confused over
4 who they are satisfied or dissatisfied with. So that wasn't
5 a very good or appropriate standard for this particular
6 case, but these three were very specific and appropriate.

7 Q Well, let me ask you, Mr. Batson, you would agree
8 with me, would you not, that the three functions that you
9 picked are important, but the company pretty much has a sure
10 thing going as far as at least two of the proposed functions
11 for which standards are to be set in the future, does it
12 not?

13 A (Witness Batson) I don't understand the question.

14 Q Well, as prior to July 30, 2001 press release from
15 the company, and I have that here and you are free to look
16 at it, in about another year meter reading is going to be
17 almost completely automated thereby virtually eliminating
18 any problems with accuracy, correct?

19 A (Witness Batson) I guess I would like to see what
20 you are reading from.

21 Q I'd be happy to show it to you.

22 COMMISSIONER BAKER: Mr. Batson, you said the
23 current meter reading accuracy level is at, what, 99?

24 WITNESS BATSON: The current cycle to meter
25 reading accuracy is 99.4, is the goal.

1 COMMISSIONER BAKER: That's the goal?

2 WITNESS BATSON: That is the goal, and we are very
3 close to that in a given month, it's 99.3, 99.4, 99.5, it's
4 right in there.

5 Would you repeat your question, please?

6 BY MS. O'LEARY:

7 Q Sure. As per that particular press release, in
8 about another year meter reading is going to be almost
9 completely automated, thereby virtually eliminating any
10 problems that may exist about accuracy.

11 A (Witness Batson) First of all that's one of the
12 reasons we proposed the standard be set out in the future so
13 you can take into account any benefits, but again here at
14 99.4, the room for improvement is very slim. If you set a -
15 - I think in the testimony we gave as an example of 99
16 percent and if you have plus or minus half percent, you're
17 99.5 or you're 98.5, so if you set 99.4, then if you add the
18 same plus or minus half percent, you'd be at 99.9. I don't
19 believe it would be possible to have 100 percent accuracy
20 with out extreme cost because each increment of accuracy
21 requires more cost to ensure that. To ensure 100 percent
22 accurate meter reading you would read it and then someone
23 else may well have to read it again to be sure that was
24 correct and that would be very efficient or cost effective
25 to the customer.

1 Q Wouldn't your answer there be, I guess, a perfect
2 example of the question I asked you before that there may be
3 other things out there that would be more appropriate to
4 have in a performance incentive program?

5 A (Witness Batson) The other main area that we saw
6 in the other standard performance plans that we looked at
7 was billing accuracy, and I think the Commission has
8 addressed that separately with marketers. But AGLC does not
9 bill the end use customer, therefore it was not appropriate.
10 And again customer satisfaction was also at issue, but that
11 is hard to measure in our current market but you are not
12 sure who the customer is satisfied or dissatisfied with.

13 COMMISSIONER MCDONALD: Mr. Batson, wouldn't it --
14 each point that you raise that accuracy gets a little bit
15 more expensive, wouldn't it? I mean, you know, when you --
16 to move it from 98 percent accuracy to 99 per accuracy has a
17 fixed cost, but then to move it from 99 to 99.4, do you
18 evaluate the cost plus the benefit?

19 WITNESS BATSON: Absolutely, and that's what I
20 think -- the example I used of trying to get to 100 percent
21 would be cost prohibited. Can you do better than 99.4, we
22 do on certain months. And are there improvements that go
23 into place that may actually make that better, but you get
24 to a declining return on that, so, yes, you can't spend --
25 you would not want to spend what it would take to have,

1 quote, 100 percent accuracy.

2 COMMISSIONER MCDONALD: I mean, from the
3 consumer's standpoint there is a cost of doing business and
4 sometimes as we have discussed in the boggle with past dues,
5 marketers have said, you know, this is a past due, and it's
6 a past due, but it would cost us more to go through a
7 procedure to collect it than it is to -- so, you know, even
8 though I know the company wants, and we like to see the
9 company, 100 percent accuracy, but I hope that you are
10 taking into consideration what that cost benefit --

11 WITNESS BATSON: Absolutely. And I think what
12 we've done here in our proposal, you would see a net benefit
13 from the 2 million dollars. That seems to be a reasonable
14 number when you look at the people that you could apply to
15 the fill, and at the end of that year, if it goes from 99.4
16 to 99.5, you can tell you are about at the point of
17 saturation where you cannot expend yourself into a 100
18 percent accuracy. You have to take that into account from a
19 Commission's perspective and the company's perspective is
20 what is wise as far as how you spend your money for the
21 customer.

22 COMMISSIONER MCDONALD: I don't know the consumer
23 can afford it.

24 WITNESS BATSON: Correct.

25 CHAIRMAN BURGESS: Let me ask this question, Mr.

1 Batson. One area that I would be interested in seeing some
2 measure of performance bills, the issue of customer
3 switching. One of the complaints I get from customers is
4 complaints regarding accuracy and timeliness of processing
5 that switch. And I would be interested in seeing some type
6 of measures in place because, I mean, that's what this
7 competition is supposedly is all about is customer choice.
8 But right now when you look at the processes in place to
9 switch marketers, if you don't hit it at the right date, you
10 could end up literally, you know, almost two months out
11 before a switch is defected and a customer responds to a
12 price signal from a marketer and say, well, I'm going to go
13 with marketer A because their rates look good. Well, by the
14 time you get to marketer A, the rates have changed on you
15 because we've got a bottleneck in the switching process.
16 That's one area that I would think that the company needs to
17 examine and this Commission needs to examine having in place
18 some good service quality standards to see how good a job,
19 you know, that is actually being processed.

20 WITNESS BATSON: Commissioner, I'm sure that is
21 something that we would be willing to look at with the
22 staff. One of the parameters when we looked at the things
23 that we chose, switching is a very limited amount of
24 switches happening in a given month, and marketers have a
25 part as well as AGLC has a part. So we'd certainly be

1 willing to look at that, but meter reading affects all 1.5
2 million customers each month, and again, it had the most
3 impact on customers, and it seems to be, as you say, our
4 market is unique so some of those markets don't have some
5 things that we have, and that's one we can look at to see
6 what is taking place there.

7 CHAIRMAN BURGESS: But when I look at this market
8 one of the things that stymies a market is the inability to
9 timely switch. I mean, that stirs up a competitive market.
10 If you could move around, you know, within some bounds, but
11 if you've got a bottleneck process, I mean, it's the same
12 argument we hear with the telecommunications company saying
13 it is taking the incumbent too long to process the switch or
14 something is dropped in the middle of the switch and they
15 end up, you know, without the service provider, then
16 something goes wrong, but if you can expedite that switching
17 process and make it more timely and accurate, I think from a
18 consumer perspective they will see that as beneficial, and
19 that is something that I'm interested that the company and
20 the markets themselves, along with this commission are
21 developing some kind of standards to measure how well of job
22 we are doing that.

23 WITNESS BATSON: We'd be willing to look at and
24 work with the staff and with the marketer to determine how
25 could you improve the switching process, absolutely.

1 BY MS. O'LEARY:

2 Q Mr. Batson, AGLR has financial incentive programs
3 within the company wherein employees are awarded for meeting
4 or surpasses fixed standards, correct?

5 A (Witness Batson) Would you repeat the question?

6 Q Yes. AGLR has financial incentive programs within
7 Atlanta Gas Light Company are that are available to Atlanta
8 Gas Light Company specified employees wherein they are
9 rewarded for meeting or surpassing specific standards,
10 correct?

11 A (Witness Batson) I guess you'd be performing to
12 the annual incentive performance program and that is set, I
13 guess, as part of our compensation package. In some of the
14 classifications you have, what's called a market rate, you
15 used to have a minimum amount, what was a market midpoint
16 and a market maximum. The company substituted a maximum and
17 held salaries at that midpoint for certain classifications
18 and then there is an incentive plan on top of that.

19 Q I guess the point I'm making is that the AGLR
20 board of directors voted to offer that to different
21 employees of the company based on existing performance
22 standards that are identified through documentation already.
23 They are not something that are going to be determined at
24 some point in the future?

25 A (Witness Batson) I'm not sure what the question

1 is now.

2 Q I guess my question, and I'm not phrasing it very
3 well, and I'm sorry, but the idea that the company or AGLR
4 has a performance incentive program in place, it did so
5 before it started with any idea out there that this is
6 something that should be done and approved and then back
7 into getting the results or the details?

8 A (Witness Batson) Actually that's not the way it
9 works. The plan is in place, and then each year, in my
10 case, I would sit down with my boss and discuss what we did
11 last year, what we achieved last year, or what we would like
12 to achieve next year. So you do look at historical what you
13 did, what you were able to accomplish and what you would
14 like to accomplish on a going forward basis. So it's
15 established in the similar process. Again, we asked that
16 this be put in this way so that it would be clear and
17 visible and we wouldn't be here today discussing whether it
18 is 99.4 or 99.5 or 99.3, I don't think that would be a good
19 use of this Commission's time to try to zero in because we
20 don't have the time here to look at what is appropriate and
21 that's why we proposed to do it that way.

22 Q Would you agree with me that it might be
23 appropriate to open up another docket, perhaps after this
24 earnings review is over, and look at the issues that would
25 involve either or both the earnings sharing mechanism or the

1 PBR, the performance incentives?

2 A (Witness Batson) I don't know the answer to that.

3 Q I'm going to move on.

4 CHAIRMAN BURGESS: Would you oppose having some
5 work type, workshop process to kind of put some meat on the
6 bones of these suggested measurements --

7 WITNESS BATSON: Commissioner, we would certainly
8 be, as we have proposed here, get the information that we
9 need because we feel like it needs to take place, and then
10 bring it before the staff and the Commission and show them
11 what we are measuring and what we propose it to be, how we
12 propose to set it and work on again in our thought process.

13 There is a band around reasonableness as well. You can't
14 pick a hard number and just say, you know, it happens above
15 or below as much as you did in the PBR. If you pick meter
16 reading accuracy, let's say after one year it was 99.45,
17 then you could pick some band on either side of that that
18 says you are within that performance area. That seems to be
19 the way the other performance base rates were set that we
20 looked at and the service standards we looked at in New York
21 City and some of the other studies. There is not a lot of
22 companies, energy companies in the southeast that have
23 service standards.

24 MS. O'LEARY: Oh, I'm sorry, I didn't know you
25 were finished.

1 BY MS. O'LEARY:

2 Q Before the Commission approves the earnings
3 sharing mechanism and the performance incentive concepts
4 that you have set forth in your testimony, it would be
5 prudent, Mr. Batson, would it not, for the Commission to
6 look at the whole picture before approving it and then
7 having to find out later on what the details are going to
8 be, would it not?

9 A (Witness Batson) We will clearly come down and
10 present to the Commission and/or the Commission staff,
11 however they want to propose to do it, what the targets are,
12 why they've been set at that and the proposed band and work
13 with the staff to solve that.

14 Q And my question is, after that is done, do you
15 have any objection to this Commission then making a
16 determination whether it wants the company or feels it is
17 appropriate for the company to have an earnings sharing
18 mechanism or performance and/or a performance incentive
19 plan?

20 A (Witness Batson) I don't know that I could make
21 that agreement because the two go together, Ms. O'Leary.
22 It's clear that the sharing plan is put in place, and again,
23 the service standards are put in place to give this
24 Commission assurance and comfort that no improvements would
25 be made at the risk of lower service to customers. As a

1 regulated gas utility we want to provide excellent service
2 and we want to improve on that service. This type of paired
3 mechanism is good at doing that. It does both.

4 Q I don't think you are answering my question, but
5 in the interest of time, I'm going to move onto some tariff
6 issues that are listed in the testimony. Would I be correct
7 in calculating from your testimony on page 21, lines 3 to 8,
8 that approximately 80 percent of the overall 50.3 million
9 dollar rate increase the company is seeking will fall on
10 residential and multi-family gas delivered customers, where
11 only about the remaining 20 percent will fall on commercial
12 customers? Again, that page was 21, lines 3 to 8.

13 A (Witness Batson) I think you are correct on the
14 math. You're correct on that.

15 Q This basically results from several major tariff
16 changes that you are proposing with respect to seasonal
17 disconnect/connect -- of the seasonal disconnect/connect
18 charge, the changes in meter tariffs and the impact on these
19 on annual DDDC, is that correct?

20 A (Witness Hickerson) The major impact, the removal
21 of the meter reading, the MCF meter charge, these have a
22 very small impact on the amounts that are going to each
23 customer. In fact, what you see here, this is strictly the
24 impact of the rate increase. This does not -- the 38
25 million, the 11 million and the 458 thousand, those are the

1 impact of the rate increase. It does not include the impact
2 of the elimination of the other charges.

3 Q Right, and I didn't mean to infer any otherwise,
4 so I hope the record doesn't take that I did, but just
5 again, segueing into the substantive issues in this case,
6 the company is proposing to do away all together with the
7 seasonal disconnect and reconnect charge, correct?

8 A (Witness Hickerson) Yes, that's correct.

9 COMMISSIONER BAKER: And also let me ask, will
10 that also apply in circumstances where customers have been
11 disconnected for non-payment and then--

12 WITNESS HICKERSON: Yes.

13 COMMISSIONER BAKER: -- make arrangements to come
14 back in, in good standing? Will they be assessed for any
15 prior months that they have been disconnected?

16 WITNESS HICKERSON: You are correct, it would be
17 eliminated for those two. They would be treated as any
18 other customer.

19 COMMISSIONER MCDONALD: I'm sorry, I can't hear
20 you, your answer.

21 WITNESS HICKERSON: They would be treated as any
22 other customers off the system. They would not be assessed
23 the reconnect/disconnect charge.

24 BY MS. O'LEARY:

25 Q And although you state in your testimony the

1 reason for eliminating this charge is that it is a continued
2 source of confusion, you were here yesterday, Mr. Batson,
3 were you not, when CEO McLaughlin mentioned that the
4 existence of this particular tariff has caused to drive a
5 number of AGLC's customers off the system, has it not?

6 A (Witness Batson) I was here for Ms. McLaughlin's
7 testimony. She did testify -- I don't know if she's
8 testified that this was the only reason that customers have
9 left the system, but it may be one component because it is
10 part of -- it would pulled up part of what they would owe in
11 order to come back onto the system. So it would certainly
12 act as a part of the deterrent. From the bills that they
13 are looking at, it's a much smaller portion than the gas
14 cost that they would owe in order to come back onto the
15 system, but it is a portion.

16 COMMISSIONER BAKER: Let me clarify what my
17 question was. You are saying that the seasonal disconnect
18 and reconnect charge had been waived. Is that correct?

19 WITNESS BATSON: Right. This proposal does not go
20 back and collect for the time the customer was off the
21 system.

22 COMMISSIONER BAKER: What I'm asking is, are the
23 based -- monthly based charges that are currently being
24 collected now -- I'll give you a hypothetical. A customer
25 is disconnected for non-payment in April of last year. He

1 stays off the system until November of 2001. Under the
2 current company assessment of base charges, when a customer
3 comes back, tries to attempt to come back for regular
4 service, they would be assessed those prior months' base
5 charges, is that correct?

6 WITNESS BATSON: That is correct.

7 WITNESS HICKERSON: That is correct.

8 WITNESS LAKEY: Correct.

9 COMMISSIONER BAKER: Under this proposal would
10 that same assessment for past due base charges apply?

11 WITNESS HICKERSON: No.

12 WITNESS BATSON: No.

13 WITNESS LAKEY: No.

14 COMMISSIONER BAKER: Okay.

15 BY MS. O'LEARY:

16 Q And although you state in your testimony that the
17 seasonal charge is a continued source of confusion, would
18 you agree with me that nothing has been a greater source of
19 confusion in the deregulation model than the DDDC charge and
20 that is something for which you still strongly advocate in
21 this proceeding?

22 A (Witness Batson) Would you repeat the question,
23 Ms. O'Leary?

24 Q Sure. although in your testimony you state that
25 the seasonal charges are a continued source of confusion,

1 would you agree with me that nothing has been a greater
2 source of confusion in the deregulation model than the DDDC
3 charge?

4 A (Witness Lakey) Well, I would agree that the DDDC
5 is complicated and it has caused confusion. I wouldn't say
6 it is the most confusing thing within the whole model, but
7 yes, the DDDC is confusing.

8 Q Would you agree with me that it is more confusing
9 than the seasonal disconnect charge?

10 A (Witness Batson) Ms. O'Leary, I wouldn't and the
11 reason I say that is I've talked to these customers that
12 have had them referred to me from this Commission, but they
13 have the hardest time understanding why they are being
14 charged for service when they didn't receive service, and
15 that's a very hard concept. It's a very controversial
16 concept. DDDC is very accurate and very fair. Originally
17 it was confusing because it was brand new, much as a lot of
18 parts of deregulation were brand new, but currently people
19 do understand that DDDC changes, they do understand that
20 their usage patterns. They don't know how the exact formula
21 works, but they know that their usage patterns affect that.
22 So I wouldn't say that it is now extremely confusing to
23 them. If you mean the mathematics of it, they're confusing
24 just because they are difficult mathematics. It's a formula
25 basis, but practically speaking the customer knows that if I

1 use a lot, it has an effect on my DDDC, and if I don't use
2 as much, and again it's the winter versus summer base load.

3 So, no, disconnect, the reconnect charges are more
4 confusing because it does not seem fair to them. It does
5 not seem just to charge for something when they didn't
6 receive it. And usually these people in general, it's
7 oftentimes associated as Commissioner Baker mentioned with
8 disconnection. And in that case they are already in a tough
9 situation. They've already been disconnected for an ability
10 to pay and what this adds to is what they actually have to
11 pay before they can come back onto the system. So it's --
12 they feel its punitive because they feel like if they could
13 just pay for what they owed, it'd be okay, but even while
14 they are off the system and not receiving service, they feel
15 like it is adding to the bill. So that's -- it's been an
16 issue. We designed this to try to respond to some of the
17 issues that we have heard out there. It is merely a rate
18 design issue. You could have a flat fee to come back on the
19 system, you can have no fee -- you could do many things, but
20 again, we're trying to encourage customers to come back onto
21 the system so that they do not leave the system and thus
22 have fewer people sharing the overall cost.

23 Q You would agree with me, would you not, that every
24 customer, just about every customer has a DDDC, but not
25 every customer has to deal with seasonal disconnect or

1 reconnect?

2 A (Witness Batson) That's correct.

3 Q In this matter the company is proposing to do away
4 with the, I guess, easy to understand meter reading charge
5 and then to take it and roll it into the cost for the
6 service of meter reading into the DDDC, correct?

7 A (Witness Hickerson) That's correct.

8 Q But I guess is I understand correctly that the
9 company is proposing to do this even though the natural gas
10 deregulation act requires the Commission to use the straight
11 fixed variable method of rate design which is why we have
12 the tariff in the first place, and I guess I'm confused, and
13 I do mean to refer that, I'm sorry, back to the whole issue
14 of the seasonal disconnect charge. The point I'm making is,
15 that's not something this Commission just made up. That's
16 something that this Commission approved in 1998 because of
17 the existence of the straight fixed variable method of rate
18 design in the natural gas act, correct?

19 MR. DOWDY: Objection, Mr. Chairman, incorrect
20 premise to the question.

21 WITNESS BATSON: I'm not sure what the question is
22 now, Ms. O'Leary.

23 CHAIRMAN BURGESS: You are going to have to
24 restate your question. You kind of lost me there too.

25 MS. O'LEARY: I'm sorry.

1 BY MS. O'LEARY:

2 Q Would you agree with me, Mr. Batson, that the
3 reason that we have been dealing with the whole issue of
4 seasonal disconnect and reconnect is because of the
5 existence of the straight fixed variable method of rate
6 design in the natural gas competition and deregulation act?

7 A (Witness Batson) I agree that straight fixed
8 variable is part of what you referred to. I think the
9 seasonal connect and reconnect is more of a design as far as
10 how you collect revenue, and there are various ways to
11 design that. That is how it was approved in 8390-U. We're
12 asking that in this case that you approve a different
13 methodology that would hopefully --

14 Q Oh, absolutely.

15 A (Witness Batson) -- allow customers to come back
16 onto the system and not further ask to the debt that they
17 might be under having been cut off.

18 Q To just wind up on this issue, you would agree
19 with me, would you not, Mr. Batson, that if the seasonal
20 disconnect/reconnect charge is done away with, all of the
21 other AGLC ratepayers will have to absorb the revenue loss
22 from its elimination as part of their individual DDDCs,
23 correct?

24 A (Witness Batson) That's correct. And I guess I'd
25 further add though if those customers leave the system, you

1 will have a much harsher impact on the existing customers
2 because they will have left and ultimately their cost will
3 be borne by the remaining customers. This is clearly an
4 attempt under the design to try to make sure customers come
5 back to the system, do not permanently leave the system
6 leaving fewer customers paying the fixed costs for AGLC. So
7 it's clearly an attempt to make sure rates stay as low as
8 possible, not any attempt to increase rates.

9 Q Did you --

10 A (Witness Hickerson) May I --

11 Q I'm sorry. Go please.

12 A (Witness Hickerson) I'd like to point out too
13 that the impact of this is two cents for DDDC. That's
14 provided in the workpapers forwarding MFR and F3
15 information.

16 CHAIRMAN BURGESS: Let me ask a question, Ms.
17 O'Leary. I remember earlier you said you consider marketers
18 as being customers also. When I looked at the way you
19 spread this \$50 million rate increase among customers, I
20 don't see a dime of it going to marketers, but yet, once
21 again under the earnings sharing mechanism, you believe that
22 they ought to receive a benefit under the plan. You're
23 going to have to help me understand that.

24 WITNESS HICKERSON: The marketers, you know, they
25 are an integral part of the whole delivery system, and the

1 success of the entire system depends on what they do. The
2 ability of this company to achieve its return, to provide
3 services is very dependent on the marketers, and this is one
4 of the reasons that we propose the sharing is because they
5 do contribute to how this entire system operates.

6 CHAIRMAN BURGESS: In your opinion they shouldn't
7 have to bear the burden of any rate increase if you were to
8 gain one from this Commission?

9 WITNESS HICKERSON: I'm not sure there is any
10 mechanism that we could put that through to them.

11 CHAIRMAN BURGESS: Well, maybe we need to create
12 one.

13 (Laughter.)

14 CHAIRMAN BURGESS: It's rate design, that's all it
15 is, right?

16 (No response.)

17 COMMISSIONER BAKER: Could you tell me exactly
18 what -- you say you want to -- they are a integral part of
19 the system in that the sharing mechanism to the marketers
20 would help them, I guess, continue some behavior, stay on
21 the -- stay in the system. What specifically is that going
22 to -- it seems like a nice bonus or a goodwill gesture, but
23 what's it supposed to -- what behavior is it supposed to
24 impact or change or enhance?

25 WITNESS HICKERSON: They are the final link

1 between us and the end user. They are the -- in order to
 2 have an end user there must be a marketer. How they
 3 interact with their customers has a direct impact on our
 4 operation, on the number of customers we have, when those
 5 customers come on the system, when those customers are
 6 disconnected or come back on. They are the link that we
 7 have to depend on.

8 WITNESS BATSON: Commissioner Baker, I think it is
 9 clear that if you simply refund it to the marketers, it does
 10 not ensure, as I think Commissioner Burgess pointed out,
 11 that the end use customer would receive that. If you use
 12 the methodology that he proposed or discussed around
 13 crediting against what we charge them, and that being
 14 automatically passed to them, that type of credit to
 15 marketers would automatically go to the end use customers.
 16 It would depend on how you applied this portion to the
 17 marketers as to whether it would automatically be applied or
 18 be up to the marketer to make it part of their rates in a
 19 competitive market.

20 BY MS. O'LEARY:

21 Q The company is also proposing a tariff change that
 22 will remove an \$1800 MCF meter tariff charge, is that
 23 correct?

24 A (Witness Hickerson) That's correct.

25 Q Just for staff's edification, what exactly is an

1 MCF meter and who is paying this charge?

2 A (Witness Hickerson) The MCF meter are our large
3 capacity meters. They read in MCFs and these are for
4 customers who have high capacity meters on their premise.

5 Q Are they residential and commercial customers?

6 A (Witness Hickerson) They are the commercial
7 customers.

8 Q As I mentioned a short while ago the company is
9 going to -- or is trying through this proposal to do away
10 with the \$8.52 annual meter reading charge and roll it into
11 the annual meter reading charges of residential, multi-
12 family residential and commercial customers, correct?

13 A (Witness Hickerson) It would be rolled into the
14 base charges for all class of customers.

15 Q And in calculating the revenue change and the
16 deleting the HR and 52 cent meter reading charge, the annual
17 charge per DDDC per residential customer will increase
18 \$28.80 from \$68.28 to \$96.48, the multi-family charge will
19 increase \$22.20 from \$91.80 to \$114, and the general gas
20 class will increase \$26.04 from \$91.80 to \$117.84, correct?

21 A (Witness Hickerson) Yes, I believe that you are
22 correct on that.

23 A (Witness Batson) I might add, I guess, Ms.
24 O'Leary, is that in the meter reading -- the 71 cents, it's
25 moved from one group into another, so there's no -- that

1 would be collected at 71 cents or it's collected within
2 DDDC, but the same amount of money is collected. It could
3 just as easily be part of the customer charge. You could
4 have increased the customer charge by 71 cents. So what we
5 chose was the DDDC. It's been proven fair and equitable,
6 but...

7 Q Proven fair and equitable by whom?

8 A (Witness Batson) Well, I think --

9 MR. DOWDY: Mr. Chairman, if he could finish his
10 answer and then she can follow up.

11 MS. O'LEARY: Okay, he can finish.

12 WITNESS BATSON: If I will remember correctly, and
13 Mr. Lakey is probably the one who can address in more
14 detail, but we had some sessions at the Commission where we
15 looked at the DDDC to see is there a better way to do it or
16 is it truly fair and equitable. I think it was clearly
17 determined that it was fair. It does represent what it says
18 it represents and how it is computed, but I would say that
19 we looked at other ways, flat charges, tiered charges, and
20 any change you make to another way that would be what you
21 considered fair and equitable, you have an up or a down. In
22 other words, half the customer base would be negatively
23 affected. The change or -- negatively affected or
24 positively affected. You will not hear from the positively
25 affected customers, but those that would be negatively

1 affected, you would change something and create maybe
2 another source of confusion whereas people are starting to
3 understand that their usage patterns impact their DDDC and
4 it represents their usage. So that's why I say it -- fair
5 and equitable is not biased towards any group nor would be a
6 flat fee or a tiered set of fees, so that's why we put it in
7 DDDC. You could just as easily, as I said, put it to the
8 customer charge and made it 9.71. It's just the design.
9 It's not collecting any money more or less in any way.

10 COMMISSIONER BAKER: Let me ask, looking at these
11 charges that are being wrapped into the DDDC is the
12 collection services charges being wrapped into the DDDC?

13 WITNESS LAKEY: No, actually, if I could refer to
14 MFR F3, basically that's where we outline, for example, on
15 the residential delivery service for currently for \$5.69,
16 and with both the impact of the additional revenue
17 requirement, by eliminating the MCF meter charge and the
18 elimination of the seasonal reconnect, and also eliminating
19 the separate meter reading charge, the charge changes from
20 \$5.69 per DT to \$8.04 per DT. Now, to break that down,
21 approximately 54 cents of that is meter reading. Two cents
22 of that is the cost for the elimination of the seasonal
23 reconnect. The MCF meter charge is basically zero. It's
24 too small, and then \$1.79 of that difference is related to
25 the impact of the additional revenue requirement, but

1 there's no, as you call --

2 COMMISSIONER BAKER: I guess my question is, has
3 the revenue allocated previously to collection services been
4 eliminated from your revenue requirement today?

5 WITNESS LAKEY: Yes, that went away with ancillary
6 services.

7 BY MS. O'LEARY:

8 Q You would agree with me, would you not, that meter
9 reading is deemed to be an ancillary service by the
10 Commission under both the law and the final orders in docket
11 8390-U?

12 A (Witness Hickerson) I can't -- I'm not familiar
13 with the law.

14 Q Mr. Lakey, you nodded your head?

15 A (Witness Lakey) I believe it is an ancillary
16 service. It was deemed an ancillary service.

17 Q But not all marketers use AGLC to read their
18 customers meters, right? Some use, for instance, EMC meter
19 readers for this function, correct?

20 A (Witness Lakey) I believe it is a very small
21 amount of marketers that choose not to take our readings.

22 Q But notwithstanding how small the number of those
23 marketers might be, would you agree with me that about
24 20,000 customers of marketers don't use AGLC's meter
25 services, correct?

1 A (Witness Lakey) Yes, I would agree with that.

2 Q And presumably --

3 A (Witness Batson) Wait a minute, Ms. O'Leary, I'd
4 like to add a little bit to that. Yes, they do, they hire -
5 - maybe it's the EMCs that read a few meters for some of the
6 marketers, but AGLC still must read that meter. It's still
7 an integral part of service delivery monitoring the safety
8 of the system, and ensuring the accuracy of the meter and so
9 we will always need to read our meters in order to
10 understand what's going on in our marketplace.

11 Q But the marketers -- I don't want to interrupt --
12 but the marketers that are paying EMCs to do the meter reads
13 are not paying you also to do them as well?

14 A (Witness Batson) You are correct, but we do still
15 read those meters.

16 COMMISSIONER BAKER: Sort of following up on that,
17 there is a proposal in the legislature at this time in which
18 the legislature is considering allowing electrical
19 membership corporations to become certificated as gas
20 marketers, and I presume that if that is passed that the
21 EMCs will probably read their own gas meters. Are you
22 saying that, in a hypothetical situation, if that were to
23 occur EMCs are offering gas service to their customers, they
24 read their meters -- are you saying you go back behind them
25 and double check the meters just to make sure, you know,

1 plus all -- ensure the meters integrity, safety, is that the
2 functions that you will still perform even if the EMCs are
3 gas marketers and reading the meters themselves to bill
4 their customers?

5 WITNESS BATSON: As I understand it today, that's
6 what we would do, yes, sir.

7 COMMISSIONER MCDONALD: On the same basis that you
8 are doing it today? Same basis being the same time
9 intervals?

10 WITNESS BATSON: Yes, sir, because it is read in
11 cycles and that is order to assure efficiency. A cycle is -
12 - you group neighborhoods together and a meter reader then
13 goes into a particular area and reads that area and then the
14 next day they might be reading a different area. So meters
15 typically are read on cycle for efficiency. So, yes, you
16 would read it in the same days and methodology that -- I
17 believe we have 21 cycles today.

18 COMMISSIONER BAKER: That would be more, I guess,
19 remote meter reading -- I mean automatic meter readers if
20 you have -- not an individual going from house to house but
21 actually probably a vehicle remotely going through a
22 neighborhood and reading meters. Is that right?

23 WITNESS BATSON: We have a mixture. In metro
24 Atlanta we have a fair amount -- I don't know the exact
25 number of units of what they call URCs, yes, but you also

1 must go to -- it's one way or the other you read. It's with
2 a person or it's through an electronic device.

3 WITNESS LAKEY: Actually there's about 600,000
4 meters that are read electronically and about 400,000 meters
5 are read manually -- I'm sorry, 60 percent are read
6 electronically and about 40 percent are read manually, but
7 as far as the utility needing meter readings today on an
8 ongoing basis, we will need those for the calculation of the
9 DDDC. We need those 12 monthly reads to be able to separate
10 out heat sensitive load and non-heat sensitive load. An
11 integral part of the DDDC calculation is monthly reads.

12 COMMISSIONER MCDONALD: So that in itself is --
13 Well, let me ask you this. The absence of the revenue to
14 read the EMC meter, who is picking up -- where is that cost
15 for you to read that meter being allocated to in your cost
16 structure?

17 WITNESS BATSON: It would just be revenues that
18 we're not receiving at this time, Commissioner. At this
19 time there is only -- I could be wrong -- about 20,000
20 meters that that is taking place on. So it's not
21 significant at this moment, but that's just --

22 COMMISSIONER MCDONALD: Two months from now it
23 might be significant though.

24 WITNESS BATSON: It could be more significant.

25 WITNESS LAKEY: Yes.

1 COMMISSIONER MCDONALD: But still, we're back to
2 where the consumers could be paying once plus some more?

3 WITNESS BATSON: You would certainly want
4 efficiencies, I agree. You don't want the consumer to pay
5 twice, but as a natural gas distribution utility --

6 COMMISSIONER MCDONALD: They are going to be
7 paying more than once, though? Even now. The consumer is
8 paying more than one time now? If the consumer is paying an
9 EMC to read a meter, that's one. And then the consumer is
10 paying AGL to read a meter, that's one.

11 WITNESS BATSON: Today it does not work that way,
12 Commissioner. Today we would not collect that 71 cents from
13 that marketer, who would then in turn not collect from the
14 customer.

15 COMMISSIONER MCDONALD: Yeah, but when you take
16 that revenue away from you at the EMC level, but yet you are
17 going back in there and reading it again also. Who is
18 picking up that cost? Everybody else is picking up that cost
19 too, right, as a part of your revenue?

20 WITNESS BATSON: It is a part of our revenue, but
21 it's just 71 cents that we do not receive today.

22 COMMISSIONER MCDONALD: Don't receive it from that
23 customer?

24 WITNESS BATSON: Or from the marketer.

25 COMMISSIONER MCDONALD: Right, but you cost that

1 though?

2 CHAIRMAN BURGESS: You incur the expense.

3 WITNESS BATSON: Yes. Yes.

4 COMMISSIONER MCDONALD: And everybody else is
5 paying for that, right?

6 WITNESS LAKEY: Yes, we incur the expenses.

7 WITNESS BATSON: I don't think that part is true,
8 Commissioner McDonald, because what we charge is -- right
9 now today is 71 cents per read. And so each customer is
10 only paying 71 cents per read. They are not paying 71 cents
11 plus their portion of someone else's read.

12 COMMISSIONER MCDONALD: Well, then where are you
13 making the difference up?

14 WITNESS BATSON: We're not.

15 COMMISSIONER MCDONALD: You are eating it?

16 WITNESS BATSON: That would be my understanding.

17 COMMISSIONER MCDONALD: You are eating it until
18 you get to a particular level, correct? If your earnings
19 don't --

20 WITNESS BATSON: In this proposal?

21 COMMISSIONER MCDONALD: Well, in the overall
22 scheme of things is what I'm saying. You are still a
23 regulated marketplace, and you're given by statute and by
24 this Commission a bottom and a top, an earnings position,
25 and if you -- if, for instance, if Georgia Power gets into

1 the gas business across the street and then they read their
2 meters and then you're going back and read the meter right
3 behind them...

4 WITNESS BATSON: We would definitely need a meter
5 reader, Commissioner.

6 COMMISSIONER MCDONALD: And you're not collecting
7 that 71 cents from that Georgia Power marketer customer?

8 WITNESS BATSON: That's true.

9 COMMISSIONER MCDONALD: Who is going to pick up
10 the cost for you to pick up and go back and read that meter
11 again?

12 WITNESS BATSON: In this proposal all customers
13 would, you're correct.

14 COMMISSIONER MCDONALD: That's what I was getting
15 to.

16 BY MS. O'LEARY:

17 Q I'm in the home stretch, Mr. Batson. If you'll
18 bear with me about three more questions, I'm done.

19 As we talked about before the automated meter
20 reading technology that was referenced in that press
21 release, it's going to be rolled out statewide in the next
22 year, correct?

23 A (Witness Batson) I don't believe that is correct.
24 I think in reading this it says in October 2001 a 10 month
25 test of the automated meter reading equipment and technology

1 will get underway. My understanding of the program, it is
2 first a test that will go underway, and before we actually
3 start implementing the plan, my understanding also is that
4 it is possibly like a three year implementation to get those
5 things statewide.

6 CHAIRMAN BURGESS: Let me ask one question on the
7 meter reading before we leave that. Would it not be
8 possible to enter into some agreement with the EMC to
9 provide that information to you rather than you have to
10 either go out and dispatch somebody to read that meter
11 again? I mean, can you do that from a cost savings
12 standpoint? Could you get the meter reading information
13 from them if they've got somebody out there doing that too
14 rather than doing it again?

15 WITNESS BATSON: Commissioner Burgess, if you are
16 speaking practically can we get the information, I'm sure
17 they could share with us what they are reading with. There
18 are several issues there though. One is how do the computer
19 systems exchange that information timely and accurately, and
20 then the other issues with visiting the meter set. There's
21 certain requirements within Part 192 from safety
22 perspectives that require you to visit meter sets, and part
23 of meter reading is actually visiting the meter sets. So
24 not only does a meter reader read the meter, but he is able
25 to note the meter, he's able to note if there is a straight

1 connect or something unusual where there might be
2 consumption that shouldn't be taking place.

3 CHAIRMAN BURGESS: If that's the guy that's
4 reading it electronically, he doesn't even go up to the
5 meter. I mean, he's standing out on the street, you know,
6 punching in the numbers. So, he looks at it, okay, I've got
7 it, I'm gone.

8 WITNESS BATSON: Exactly. And we have had to put
9 in place specific revisits for those particular meter sets
10 in order to stay within compliance. But I would say that on
11 an electronically read meter, it is one of the meters that
12 we are most able to catch consumption on inactive meter
13 because -- I don't want to give too many examples because I
14 don't want somebody to listen to this and try to figure out
15 how to beat the system, but suffice it to say that when
16 people are attempting to steal gas, they get creative, but
17 an electronic meter, we did not have to be there watching
18 it, and it registers if it is moving or not. So some of the
19 ways we have caught consumption on an active meter is that
20 meter will actually, you know, send to the radio based
21 system that consumption is taking place, and the customer is
22 not really aware of how that exactly works.

23 COMMISSIONER MCDONALD: But the bottom line, Mr.
24 Batson, would be that if these issues, as we have discussed
25 about other parties reading meters for their -- of their own

1 customers and -- but even with that, your cost that's in
2 your working papers, the cost of reading meters is not going
3 to be reduced to AGL, is that where I'm --

4 WITNESS BATSON: Commissioner McDonald, until I've
5 got the specifics, I don't know that I could exactly answer
6 that. It may be reduced some if there was a way to actually
7 share a meter read that was electronically available and
8 timely, but there are still other times that you need to
9 visit the system that aren't taken into account in simply a
10 meter read. So could there be some sharing, yes. Would it
11 eliminate all costs that we typically associate with meter
12 reading? No, sir, it wouldn't.

13 COMMISSIONER MCDONALD: Would it eliminate a
14 measurable cost?

15 WITNESS BATSON: I don't know the answer to that.

16 COMMISSIONER MCDONALD: I get an affirmative reply
17 to my question when I said it won't eliminate any costs --

18 WITNESS LAKEY: Actually as the utility -- and if
19 we're under straight fixed variable rate design and we've
20 got DDDCs, then the utility needs 12 months of reading in
21 order to comply with that. So the utility will have to --
22 will be incurring the expense to read all 1.5 million
23 customers each month in order to facilitate our current rate
24 design.

25 CHAIRMAN BURGESS: Let me ask you this. If you

1 didn't have the DDDC rate design would you still need 12
2 meter reads to --

3 WITNESS LAKEY: If you had a volume metric rate
4 design --

5 CHAIRMAN BURGESS: Yeah.

6 WITNESS LAKEY: -- if you get past the straight
7 fixed variable piece, you would need 12 meter readings if
8 you billed on a monthly cycle 12 times a year, or if you
9 went to bi-annual or every other month then you'd need at
10 least a meter reading every other month.

11 COMMISSIONER MCDONALD: I don't apologize for this
12 line of questioning because very honestly it puts -- it's
13 outside the scope of this rate case to some degree. It
14 deals with some other related matters, but it's provided
15 some interesting information.

16 WITNESS BATSON: There's no need to apologize,
17 Commissioner. I do believe that if AGLC was able to take a
18 meter read from another entity on a monthly basis, that
19 would reduce somewhat the cost around meter reading because
20 obviously you'd be getting the reading that you need. There
21 are still other reasons that the gas utility must visit it,
22 and it would need to be sat down to make sure all components
23 were met so it would not completely eliminate, is my only
24 point. I don't know the percentage whether it is half, 10
25 percent of 75 percent, but it would not all go away,

1 clearly.

2 COMMISSIONER BAKER: Let me ask about this as sort
3 of a sideline question in regard to some legislation that is
4 pending. If another entity were to do meter reads as a
5 third party, would they also incur then the obligations that
6 you currently have for whatever, safety inspections,
7 accuracy, verifications that you have, or would that still
8 be AGL's principal responsibility that they couldn't pass
9 along to, say, a third party that wants to do meter reading
10 and billing?

11 WITNESS BATSON: I don't know the answer to that,
12 Commissioner Baker.

13 COMMISSIONER BAKER: Okay.

14 COMMISSIONER MCDONALD: I mean, you know, if you
15 wanted to be the devil's advocate you could look into the
16 deregulation act and say that, you know, AGL postured this
17 in order that they have a guaranteed source of revenue for a
18 service rendered that can't be performed by anybody else.
19 It's got to be performed by AGL.

20 Yes, Mr. Dowdy.

21 MR. DOWDY: I just want to state, I mean, the
22 prior question by Commissioner Baker and some of the follow
23 up is really a legal question. It's governed by federal
24 law. Federal law determines who has to comply with a
25 standard as with distribution companies, not the marketers.

1 It's not something they could pass off the liability from.
2 So it's a federal law on safety here that governs this
3 particular order.

4 BY MS. O'LEARY:

5 Q Mr. Batson, since that new automated meter reading
6 technology I referenced in that July 30th press release will
7 eventually almost eliminate the need for the company to
8 actually have employees go out and read the meters of most
9 customers, the \$8.52 annual charge that was approved by the
10 Commission in the last rate case will probably be too high,
11 won't it, in light of the financial efficiencies realized
12 via this technology?

13 MR. DOWDY: Objection, Mr. Chairman, to the
14 premise of the question. I think the record establishes
15 just the opposite from which she stated.

16 CHAIRMAN BURGESS: Repeat your question again.

17 MS. O'LEARY: I guess basically -- I'll rephrase
18 it and perhaps we won't have an objection about it.

19 BY MS. O'LEARY:

20 Q Would you agree with me as the new technology is
21 rolled out, the company will no longer have the need for
22 employees to actually go out and do reads on every meter, on
23 all 1.4 million meters it's got in the state?

24 A (Witness Lakey) I disagree with that to the
25 perspective of currently we have a system, we have two

1 systems, we have an AMR system, which we have electronic
2 devices out there now and the other system is called a
3 nitron system where we physically go to each individual
4 meter. On the NSCAN, the AMR device, yes, you don't have
5 specific meter readers, but you do have a meter reading
6 department. They are called AMR technicians that have to go
7 out and somebody has to drive the van that goes around and
8 reads the meters on those 21 cycles. Two, then they follow
9 up with that to determine if there are batteries that need
10 changing. The roles change, but there still are employees
11 and expenses associated with reading those meters each
12 month. So the cost just doesn't go away with the
13 technology.

14 Q So is it your testimony that the exact same number
15 of meter readers that the company has at this time will be
16 needed at the time the technology is rolled in and laid out
17 altogether?

18 A (Witness Lakey) Again, the personnel will change
19 from a meter reader, per se, to a technician, per se, that
20 works on the electronic devices once they are in the field.
21 There is a difference.

22 Q I'm sorry, I don't want to interrupt you. Are you
23 saying that will be a one-to-one ratio that every meter
24 reader that is no longer necessary, there will be somebody
25 who will be reading the electronic information or whatever?

1 A (Witness Lakey) No, I'm not the expert there.

2 A (Witness Batson) No, probably what actually
3 happens is you have a trading of costs. You may have less
4 personnel costs and more electronic cost, more systems cost,
5 more computer cost, more electronic type associated costs.
6 So you may trade costs, but one-to-one personnel wise, I
7 don't think would be accurate. Today there are different
8 ratios for AMR technicians to meters versus meter readers to
9 meters because of the practicality of walking to all those
10 meters. But in a more automated system, you simply have a
11 differentiation of costs associated with technical processes
12 such as your computer systems, your maintenance systems. As
13 he mentioned, batteries. Batteries must go out and be
14 changed. You have -- this new system, I believe, has some
15 type of fix site that must be maintained. So I don't think
16 it people one-to-one, but costs are swapped from different
17 areas.

18 Q How often are the batteries changed on my meter,
19 generally speaking. Is that a once a year event? Is it
20 every month?

21 A (Witness Lakey) It's typically every five years.

22 Q Every five year.

23 COMMISSIONER MCDONALD: But still it goes back to
24 our questioning earlier, a cost benefit study to see whether
25 -- I mean, if you're not gaining anything, if you are

1 increasing your costs and shortening personnel, but your
2 technology costs and all that, I mean, you know, where does
3 the consumer fit into this program, is what -- Does that
4 keep somebody out of your yard, or I mean, is that
5 sufficient enough or --

6 WITNESS LAKEY: Well there's a couple of benefits
7 to the new technology, but to answer your question directly,
8 probably the best benefit to the end use customer is the
9 accuracy issue. As far as straight fixed variable rate
10 design is concerned, we'll be getting with this new meter
11 reading technology as proposed that we will be getting four
12 readings per day, and currently we get one reading per
13 month. So there are some benefits to actually making the
14 DDDC calculation even more accurate in that you've got four
15 readings for each individual --

16 COMMISSIONER MCDONALD: What are we paying for
17 that extra point of accuracy that we are putting in there?
18 That goes back to -- Of course, I know who is paying it, so,
19 but what are we paying for that? Does the cost benefit
20 analysis influence the decision to raise that accuracy
21 level, to raise that convenience level to the level that in
22 the end results the company is profitable, we'll put it in
23 that respective, and the consumer is better served?

24 WITNESS BATSON: Yes, sir, that study is done.
25 You would do a cost benefit analysis to any new technology

1 that we went with, and I believe that's been part of what
2 has helped hold down AGLC not trying to attempt to request a
3 base rate increase since 1993 because you've seen some
4 efficiencies and some improvements. But as Mr. Lakey said,
5 accuracy is clearly a benefit of the electronic version, but
6 it is done on a cost benefit basis. You don't just spend,
7 as you mentioned, all the money you want to spend in order
8 to get another tenth more accurate and that not be
9 reflective of the benefits to the customers. We always and
10 will always strive to make sure that natural gas is a
11 competitive energy source. Natural gas is not required for
12 any of our customers to have a home. They are required to
13 have electricity, at least most of us have been brought up
14 to require that and enjoy that. My grandparents came up at
15 a time when they did not have that, but we've gotten use to
16 that, and energy, our sources can be replaced. I think
17 we've seen this past winter that some of the people who have
18 cut off have chosen some other form or alternative. And
19 again, we'll do everything we can to keep down the total
20 cost of our energy source. It's imperative.

21 MS. O'LEARY: Two questions and I promise to be
22 done.

23 CHAIRMAN BURGESS: Had to throw your grandmother
24 in there, didn't you?

25 (Laughter.)

1 WITNESS BATSON: She loves me, Commissioner.

2 BY MS. O'LEARY:

3 Q The company seeks in its proposal to roll the
4 \$8.52 charge into the DDDC where it will become embedded in
5 that particular charge, correct?

6 A (Witness Hickerson) That's correct.

7 Q Since the DDDC was instituted in 1998 by this
8 Commission has there ever been an occasion where all the
9 company's distribution companies have seen an across the
10 board decrease in their DDDC?

11 A (Witness Hickerson) Would you repeat the question
12 please.

13 Q I'm sorry, I didn't say the right word and I
14 apologize. Since the DDDC was instituted in 1998, has there
15 ever been an occasion where all the company's distribution
16 customers have seen an across the board decrease in their
17 DDDC?

18 A (Witness Lakey) If you are asking that every
19 single 1.5 million customer at the same time received a
20 decrease in their DDDC, the answer would be no.

21 MS. O'LEARY: Thank you. I don't think I have
22 anything further, but I'll --

23 COMMISSIONER BAKER: That was a good lawyer
24 response, but you said -- I mean, have there been decreases
25 when it has not been simultaneous across the board then?

1 Are you suggesting that?

2 WITNESS LAKEY: Actually each year we go through
3 an annual DDDC recalculation and we take the most recent
4 history, most recent winter and summer months at the
5 individual premise level and recalculate that DDDC. Some
6 DDDCs go up, some DDDCs go down, but they are all trued-up
7 to the annual peak day forecast.

8 MS. O'LEARY: I'm told I have nothing further and
9 I thank you for your indulgence and appreciate you answering
10 my questions.

11 CHAIRMAN BURGESS: We're going a little bit out of
12 order. Mr. Remar?

13 MR. REMAR: Thank you, Mr. Chairman. Good
14 afternoon, Gentlemen.

15 FURTHER CROSS EXAMINATION

16 BY MR. REMAR:

17 Q Let me just follow up on the last question, if I
18 might, to you, Mr. Batson, on this meter reading. You
19 currently bill marketers 71 cents a month for each customer
20 that the marketer has whose meter is read, correct?

21 A (Witness Batson) That's my understanding.

22 Q And that's basically a line item on the bill that
23 the marketers get for their customers, correct?

24 A (Witness Batson) I'm not aware of how it shows up
25 on the bill, but I know it is billed.

1 Q It is a component of the, basically the customer
2 charge, the base charge from AGL to the marketer, correct?

3 A (Witness Batson) That's correct.

4 Q And what you are proposing is to now take the 71
5 cents and roll it into the DDDC factor for each customer as
6 opposed to bill it through the customer charge piece,
7 correct?

8 A (Witness Batson) That's correct.

9 Q And your rationale for that is that there is no
10 one currently offering ancillary services such as meter
11 reading, is that right?

12 A (Witness Batson) That's correct.

13 Q So if this Commission were to get a proposal from
14 one or more third parties to offer meter reading as an
15 ancillary service and if the Commission were to approve
16 that, it would be necessary then to recalculate the DDDC
17 factor for each and every customer who would be served by
18 that third party meter reader, correct?

19 A (Witness Lakey) No, that's not correct. The DDDC
20 factor would stay the same. The only thing that is changing
21 is the charge.

22 Q So the charge for each one of those customers
23 would have to be recalculated because you would embed it
24 into the DDDC, correct?

25 A (Witness Lakey) That's correct.

1 COMMISSIONER BAKER: Is that a smart thing to do
2 if there is a possibility that there'll be third parties
3 offering ancillary services in the near future?

4 WITNESS LAKEY: I guess as we look over -- since
5 1998, we've not seen a great majority of vendors or
6 companies that set forward to make meter reading very
7 competitive. We've just not seen that take place.

8 COMMISSIONER BAKER: Well, Georgia Power has
9 expressed a very strong interest in doing that, you know.
10 So, I mean, that to me seems like a reputable company that
11 has the ability to, you know, if they can get some
12 legislation through, they might want to do it. It seems
13 like it is a potential possibility for the future. I mean,
14 by rolling in these charges into the DDDC, are we making it
15 more difficult for third parties to come in and attempt to
16 offer ancillary services?

17 WITNESS BATSON: Commissioner Baker, I guess if
18 you -- one answer to that may be you've -- you may put it in
19 the customer charge per se where it showed up exactly.
20 Instead of \$9.05, it would be \$9.76 so that it would be more
21 visible to you. That would be another way of doing it, but
22 that's not the way we proposed it. That doesn't mean that
23 would be any less accurate or more correct way to do it.

24 COMMISSIONER BAKER: What would be the most cost
25 efficient way to handle it from the company's perspective in

1 a hypothetical situation where in the future there are going
2 to be third parties offering ancillary services to part of
3 your customer base? What is the cheapest way for you to
4 handle it, the easiest way for you to handle it?

5 WITNESS HICKERSON: I'm not sure there would be
6 any one particular way that would make that much difference,
7 I guess.

8 COMMISSIONER MCDONALD: I have -- I must be
9 missing something here because I haven't heard anything that
10 told -- that would suggest that that's going to leave us if
11 there is a third party. I hear from ten minutes ago that it
12 is going to remain very much the same. Even though there
13 may be a third party that is a provider of ancillary
14 services and meter reading being one of them, but it doesn't
15 change your picture at all.

16 WITNESS HICKERSON: Not the cost part portion.

17 COMMISSIONER BAKER: Well, I mean, the cost the
18 company occurs, sure. If they are going to go out into
19 back-up meter reads, sure, they are still going to incur
20 costs. But my question is oriented to if a Georgia Power
21 Company or an EMC begins doing its own meter reading, they
22 are going to charge their customer for that 71 cents. Now,
23 as I understand the proposal that is being made by the
24 company at this time, is there a rolling into the DDDC
25 calculation? All these current ancillary charges that are

1 itemized separately on the bill. So if you, Commissioner
2 McDonald, were getting your gas service now from an EMC, you
3 are paying that EMC 71 cents.

4 COMMISSIONER MCDONALD: All right.

5 COMMISSIONER BAKER: So you want to subtract out
6 from your DDDC calculation that 71 cents you are currently
7 paying to a company.

8 CHAIRMAN BURGESS: Unh-unh, unh-unh (negative).

9 COMMISSIONER BAKER: You would like to pay extra
10 money?

11 COMMISSIONER MCDONALD: That's not what they're
12 saying. Their ancillary service of reading meters is still
13 going to be there and it's going to be fixed into the
14 revenue of the AGLC. With a third party -- y'all tell me if
15 I'm reading this thing wrong. I hear you say that if you
16 have a third party reading your meters for you and they are
17 billing the consumer and they are keeping the money for
18 reading that meter, you're still going to read that meter,
19 and you've got a cost in there, and it's a part of the
20 revenue of this company.

21 WITNESS BATSON: Commissioner McDonald, we would
22 need that meter reading and we would also have to visit that
23 premise. I don't know if it is one-for-one relationship. I
24 mean, in all the hypotheticals, if you knew the exact --

25 COMMISSIONER MCDONALD: It doesn't abolish the 71

1 cents from the consumer. The consumer is -- The consumer is
2 going to pay for meter reading plus maybe some more, right?

3 WITNESS BATSON: The customer will pay whatever
4 the outside parties charge them to read the meter, plus what
5 it costs for AGLC to take in the meter reading, visit the
6 site and perform the other duties necessary as a
7 distribution company.

8 CHAIRMAN BURGESS: Is that 71 cents cost based
9 that you are charging today?

10 WITNESS HICKERSON: I don't believe it was. It
11 came out of the last rate case, I think. I wasn't here at
12 the time, but my understanding is that it's not.

13 CHAIRMAN BURGESS: Below cost, above cost?

14 WITNESS HICKERSON: I really don't know.

15 BY MR. REMAR:

16 Q And you could continue to recover that revenue in
17 the exact same amount by leaving the method the way it is,
18 correct?

19 A (Witness Hickerson) The 71 cents?

20 Q Yes.

21 A (Witness Hickerson) Yes.

22 Q Changing subjects, your earnings sharing plan, Mr.
23 Lakey, I think we have already established that Atlanta Gas
24 Light Company essentially has eight customers that it bills
25 at this time, correct?

1 A (Witness Lakey) Well, actually -- that it bills,
2 yes, which would be marketers.

3 Q Marketers. And so essentially every penny of
4 AGL's revenue requirement is billed to marketers, correct?

5 A (Witness Lakey) Base rates is billed through
6 marketers, that's correct.

7 Q And marketers have to pay Atlanta Gas Light
8 Company whether or not they recover that money from their
9 customers, correct?

10 A (Witness Lakey) That is correct.

11 Q So the viability of this whole system is based on
12 marketers being able to recover AGL base charges from their
13 customers so that we can continue on, month-to-month,
14 correct?

15 A (Witness Lakey) Absolutely.

16 Q So that if Atlanta Gas Light Company were to
17 exceed its return on equity of whatever band the Commission
18 might set, that would be based in part on the fact that
19 marketers are out there collecting the revenue and doing
20 business with the end use customer, correct?

21 A (Witness Lakey) That's correct.

22 Q Now, in terms of the service quality standards,
23 Mr. Batson, I understand your testimony to be that in part
24 you developed those standards based upon talking to
25 customers?

1 A (Witness Batson) We actually looked at several
2 things. We looked at what other plans are in place out in
3 the marketplace in other states. We also looked at some
4 marketer customer satisfaction survey information that is
5 available from marketer services group, Ms. McIntyre's
6 group, and then discussed with her group some particular
7 areas that might be appropriate.

8 Q But you didn't sit down with the marketers as a
9 group and say, we're going to propose some service quality
10 standards, and what are some of the things you, as our eight
11 customers, would like us to do, did you?

12 A (Witness Batson) We did not have a specific sit
13 down session with those eight marketers, no, sir.

14 Q Would you agree that for marketers there are some
15 very important service standards that are not addressed in
16 your filing? I'll give you an example. For example,
17 forecasting of the daily supply requirement and marketer
18 firm obligation. Your system forecasting accuracy is very
19 important for marketers, is it not?

20 A (Witness Batson) I would assume they do rely on
21 that.

22 Q The gas purchasing that you go out and do, for
23 example in the retained storage, that's a very important
24 issue for marketers in terms of your performance standards
25 because marketers bear the cost of that retained storage

1 that you've purchased, correct?

2 A (Witness Batson) That's correct. And we go out
3 and always do as good a job as we can to make sure we
4 achieve the lowest cost. Again, because we are all a part
5 of the natural gas industry. We have a commodity and an
6 energy source that is competitive and we need to keep it
7 that way. So, yes, sir.

8 Q Right. And I won't argue about that issue. Just
9 to say that there may be a difference of opinion as to
10 whether the particular cost at any one time was the best
11 cost that could have been achieved, correct?

12 A (Witness Batson) When we look backwards, Mr.
13 Remar, with 20/20 hindsight, we can make different opinions.

14 Q So don't you think it would be prudent if we are
15 going to have service quality standards to try and work on
16 some that might help improve the system in terms of
17 marketers efficiency in serving their customers?

18 A (Witness Batson) Again, I would refer to the PBR
19 systems that I've looked at. One of the key components was
20 billing accuracy. We do not control that, but meter reading
21 is the closest to that, and that touches every customer
22 every month. Forecasting, for example, is weather
23 dependent. In no way can AGLC or anybody that I know in
24 this room control weather. You can look at facts, you can
25 estimate, but you don't control weather.

1 Q Isn't the reason we have, for example, the weather
2 channel that there are some people who are better at doing
3 it than others?

4 A (Witness Batson) I'm sure different people have
5 different abilities. My point would be, we've tried to pick
6 things that we control more so by reading the meter. Those
7 are directly -- we can do that better. You can get more
8 accuracy through that so that's why we chose those specific
9 areas. There are numerous other things that are important
10 to a marketer, important to AGLC, but these were some that
11 were also concurrent with what's happening in other
12 jurisdictions as well. That had a big part in this, what we
13 looked at. There was a couple of specific studies, but one
14 in New York City was pretty extension on what they used and
15 how they did that.

16 CHAIRMAN BURGESS: I guess here in Georgia having
17 a different regulatory model where you've got marketers
18 serving 100 percent of the customer base, kind of an in
19 between person, it would be good to have some performance
20 measurements in place between the GDC and marketers, as well
21 as performance measurements in place between the GDC and the
22 end user. If you've got both, hopefully the goal overall is
23 to improve the overall performance that the customer sees.
24 So you've got kind of a middle man, and I think that is what
25 Mr. Remar is asking. Is -- Yes, there are some things that

1 you can do to improve service to the end user, but a lot of
2 that can occur if you've got the appropriate service quality
3 measures in place between the GDC and marketers.

4 WITNESS BATSON: Commissioner Burgess, I think
5 that's right and clearly over the past several months and
6 still on an ongoing basis, AGLC is deeply involved in
7 negotiations and discussion with marketers trying to reach
8 some commercial solutions and settlement targets to what
9 would be delivered and would not be delivered. So, I think
10 we agree with that and we have a group that is out there
11 actually trying to do what you spoke of.

12 BY MR. REMAR:

13 Q When did that group last meet?

14 A (Witness Batson) I think there have been meetings
15 from AGLC to the individual marketers. I do not know, but I
16 could find out when the particular groups specific -- Do you
17 have a specific --

18 Q I just don't recall hearing about it, but that's
19 okay. Let me just ask one little last piece on this. As I
20 understand the service quality proposal, if the performance
21 falls below the proposed level, then there would be a lump
22 sum credit directly to customers of up to a million dollars,
23 correct?

24 A (Witness Batson) I think our total limit was
25 three million.

1 Q That's a million per standard?

2 A (Witness Batson) Yes.

3 Q All right. And part of your proposal is that there
4 be essentially a three million dollar revenue requirement to
5 assist in getting you up to those standards?

6 A (Witness Batson) What we've said is we would put
7 that in and establish standards after that was in place so
8 that you couldn't -- we're not asking to establish a
9 standard today based on the employees that you have in place
10 --

11 Q You misunderstood my question. I'm sorry.

12 A (Witness Batson) Okay.

13 Q I'm sorry, Mr. Batson.

14 MR. DOWDY: Mr. Chairman, if he could finish his
15 answer.

16 MR. REMAR: He was not answering my question
17 though.

18 CHAIRMAN BURGESS: All right.

19 MR. DOWDY: That can not be established. He
20 didn't finish his answer.

21 CHAIRMAN BURGESS: Ask your question, Mr. Remar.

22 BY MR. REMAR:

23 Q My question has to do with the dollar amounts that
24 you are requesting. I thought you were requesting a million
25 dollars for a customer service facility and two millions

1 dollars for a field service facility in this proposal?

2 A (Witness Batson) Not a facility. I think those
3 represent employees in the way it was proposed.

4 Q So there is a three million dollar revenue
5 requirement that you are proposing to assist you to meet
6 these standards.

7 A (Witness Batson) To assistance to set them
8 because we are not meeting a standard that's not been set
9 yet.

10 Q Okay. And I take it that that three million
11 dollars will be billed to marketers who will then be
12 expected to pay it to Atlanta Gas Light Company?

13 A (Witness Lakey) That's correct.

14 A (Witness Hickerson) That would be part of the
15 base rates that would be passed through.

16 Q But marketers don't get any sharing in this
17 performance standards if you meet them under your proposal
18 of if you fail to meet them under your proposal?

19 A (Witness Batson) We did not propose it that way.

20 Q Thank you.

21 MR. REMAR: Thank you, Mr. Chairman, no further
22 questions.

23 CHAIRMAN BURGESS: Thank you, Mr. Remar.

24 Mr. Marzo?

25 MR. MARZO: All my questions have been asked, Mr.

1 Chairman.

2 CHAIRMAN BURGESS: Mr. Hawes? Have you got some
3 questions, Mr. Hawes?

4 MR. HAWES: Yes, sir. Yes, sir.

5 (Laughter.)

6 CHAIRMAN BURGESS: I noticed you ain't sharing
7 none of this \$50 million either. I couldn't see that. I
8 don't know whether we should allow you to ask any questions
9 today.

10 (Laughter.)

11 MR. HAWES: I've think a certain amount of
12 questions will show you where that went.

13 (Laughter.)

14 CHAIRMAN BURGESS: You've just got to get your
15 name on the transcript so you can bill correctly.

16 (Laughter.)

17 MR. HAWES: Whoa.

18 MS. O'LEARY: Meow.

19 MR. HAWES: Couldn't bill if I didn't ask.

20 (Laughter.)

21 FURTHER CROSS EXAMINATION

22 BY MR. HAWES:

23 Q Let me just show the witnesses the 1998 order.

24 MS. O'LEARY: Why are you showing me?

25 MR. HAWES: You don't want to see it?

1 MS. O'LEARY: No, I'll take your word for it.

2 MR. HAWES: Will you take my word for it too?

3 (Laughter.)

4 MR. DOWDY: I want to see it.

5 (Laughter.)

6 MR. HAWES: May I approach the witness, Mr.
7 Chairman.

8 BY MR. HAWES:

9 Q I think Mr. Batson would probably be the one. Mr.
10 Batson, if you would look at what represents to be the page
11 60 of 113 of the 1998 order in the 8390 rate review. I ask
12 you if you would read the first three sentences of that
13 page.

14 A (Witness Batson) Starting with "and"?

15 Q Starting with "the".

16 A (Witness Batson) All right, sir.

17 The rates established by this Commission would
18 become effective on July 1, 1998. At that time 90 percent
19 of the interruptible revenues will accrue for the benefit of
20 the USF. At current interruptible volumes and rates, this
21 would amount to almost four million per month.

22 Do you want me to keep going?

23 Q That's fine. Now, four million a month, and
24 that's just 90 percent of too, isn't it, of the
25 interruptible rate?

1 A (Witness Batson) That was the estimate at the
2 time. I do not think that is the amount that is actually
3 flowing into the USF at this time.

4 Q Not at the present time but before the actual
5 assignment of customers that was appropriate, was it not?

6 A (Witness Batson) I don't recall, but it could be.

7 Q So if you will assume the hypothetical that up
8 until the time when all the customers were allocated out to
9 marketers that these numbers held true, that the
10 interruptible revenues were ongoing into the USF at 4
11 million a month, that would be 48 million a year, would it
12 not?

13 A (Witness Batson) Four times 12 would be 48.

14 Q And then 10 percent more that went to AGL under
15 that would be another 4.8 million dollars?

16 A (Witness Batson) That sounds correct.

17 Q So this USF was not in existence prior to this
18 case and this act, was it?

19 A (Witness Batson) It was not.

20 Q So the matter of fact is that the interruptible
21 revenues, rather than the interruptible customers not paying
22 them, just did not go to base rates but went to the USF?

23 A (Witness Batson) I don't know if that's a direct
24 relationship, but the funds that are going into USF are 90
25 percent funded by the interruptibles. I don't know if that

1 represents the exact same revenues prior to deregulation. I
2 don't know.

3 Q I wasn't asking that, but I what I was asking was,
4 there seems to have been a nasty rumor floating out that
5 interruptibles didn't pay any money after this, and I'm just
6 trying to establish where that money went. It went to USF,
7 right?

8 A (Witness Batson) The interruptible revenues, 90
9 percent of it is going to the USF, yes, sir.

10 Q And so there are records as to how much went to
11 the USF over these last three years, correct?

12 A (Witness Batson) There would be records. I don't
13 have that number with me, but there would be records.

14 Q You do file those numbers with the Commission, do
15 you not?

16 A (Witness Batson) The Commission is aware of the
17 balance and it is an ongoing balance.

18 Q Now, is it correct to your knowledge that over 75
19 percent of monies today that are contributed to the USF come
20 from interruptible revenues?

21 A (Witness Batson) I think that would be a fairly
22 accurate statement, yes, sir.

23 Q And that continues and will continue in the
24 future, would it not?

25 A (Witness Batson) That's my understanding.

1 Q Now, today once the market for interruptible was
2 deregulated by the assignment out of customers, where does
3 the money for the USF come from, from interruptible
4 customers today?

5 A (Witness Batson) There is a facility meter charge
6 for the type of metering, based on the type of metering.
7 Industrial customers have a much more complicated and
8 intricate metering set that requires several types of
9 meters, different types of regulation, changing in pressure
10 and SCADA type equipment, so that's how that was developed,
11 I believe.

12 Q So that is the customer charge you are referring
13 to?

14 A (Witness Batson) I think that's correct.

15 Q Are there any other revenues collected from
16 interruptible customers that go to the USF?

17 A (Witness Batson) I'm not aware of it if there
18 are. There could be, but I'm not aware.

19 Q Are there any revenues that are collected under
20 the ID rate that go to the --

21 A (Witness Batson) I don't know the answer to that.

22 Q No one on the panel knows?

23 A (Witness Hickerson) I don't think we do.

24 A (Witness Lakey) No.

25 Q Let me ask you if this helps your understanding.

1 If a pooler under nominates on a given day and has to take
2 under ID rate for anything that the pooler has to flow that
3 day over and above the nomination, that would flow under the
4 ID rate, would it not?

5 A (Witness Batson) I don't know that I know the
6 answer to that. You could repeat it and I would listen
7 closer, but I'm not sure I'd still have an answer for it.

8 Q Then I won't do it.

9 (Laughter.)

10 Q Let me ask you a few questions if I could. Let me
11 ask you one isolated question. Is the net result of the act
12 and the deregulation that all the base charges went to firm
13 customers but we have this new thing called the USF in which
14 the interruptible revenues go to it, they come to AGL?

15 A (Witness Hickerson) Yes.

16 Q Okay. So it's not -- the fact that the
17 interruptibles are not paying into the base rates does not
18 mean that they are not paying money that flows through AGL
19 into the universal service fund?

20 A (Witness Hickerson) That's correct.

21 CHAIRMAN BURGESS: I've got a question for you,
22 Mr. Hawes.

23 MR. HAWES: Oh, yes, sir.

24 CHAIRMAN BURGESS: What you just said, it's true,
25 but the level of revenues that the interruptibles customers

1 are paying if you were to compare them pre-divestiture, pre-
 2 deregulation versus post-deregulation, that level has been
 3 reduced. I understand what you are saying. You're still
 4 paying revenues, but not at the same level that you were
 5 prior to the '97 deregulation act. Would that be true?

6 MR. HAWES: That's true today. One point I was
 7 making early on in the cross, though, was at the time the
 8 8390 was in effect, it wasn't that the interruptibles got
 9 out of the revenue -- all this statement about it was
 10 shifted and the interruptible was the one paying, they were
 11 paying almost the same -- the 52.8 into the USF that year.
 12 Now what happened, once the customers were allocated out and
 13 market conditions took over, it did drive down the
 14 interruptible revenues, and, no, there are not as many
 15 revenues going into the USF today. That's very true.

16 COMMISSIONER BAKER: Isn't it true that
 17 approximately eight million dollars is going into the USF
 18 fund now?

19 MR. HAWES: I'm not sure of the number. I don't
 20 know that I have the actual number on, what, an annual
 21 basis?

22 COMMISSIONER BAKER: Annual basis.

23 MR. HAWES: That very well may be true. I don't
 24 know that I've got that number yet. I mean, I've got some
 25 information that I need to do some calculation on, but I do

1 know and I think the witnesses agree that over 75 percent of
2 whatever goes into the USF is coming from interruptibles
3 revenues.

4 COMMISSIONER BAKER: That's true, but I mean, as
5 Commissioner Burgess pointed out, since 1998 and today there
6 has been a dramatic reduction, probably 40 million dollars
7 worth reduction based on revenues in '98 and revenues today.

8 MR. HAWES: That is the result of market forces
9 and that is true.

10 COMMISSIONER BAKER: And that is a benefit to the
11 interruptibles customers. They saw their overall cost, the
12 out of pocket expenses go down significantly.

13 MR. HAWES: They did go down significantly. The
14 only point of the cross, and I'm afraid it didn't take, was
15 that was not part of the act, it was part of competition.

16 CHAIRMAN BURGESS: What do you mean it didn't
17 take?

18 (Laughter.)

19 CHAIRMAN BURGESS: I think it took. I think we got
20 it.

21 (Laughter.)

22 MR. HAWES: Because the interruptibles customers
23 did pay over \$50 million into the USF the first year
24 afterwards. That's the thing. Until -- and everything took
25 place so quickly after that and then they came down. So it

1 wasn't the act or anything else that did it. It was those
2 circumstances, as we find in so many things right now.

3 COMMISSIONER BAKER: Well, I guess the question
4 is, are you better off today than you were back in 1998?

5 MR. HAWES: Absolutely. We're trying not to get
6 worse off.

7 (Laughter.)

8 BY MR. HAWES:

9 Q Now, changing this now -- I think I better go to
10 another subject.

11 (Laughter.)

12 Q Lost and unaccounted for gas. The amount has gone
13 up substantially, the number for AGL in the last couple of
14 years, has it not?

15 A (Witness Batson) I don't know that I know the
16 history of that, but I can tell you that lost and
17 unaccounted for goes up and down. I do know in July we
18 filed 2.8 percent and of course this July we would file
19 again, but if you look historically back, it's a number that
20 moves up and down.

21 Q But it has generally moved, has it not, in the
22 vicinity of one to two percent?

23 A (Witness Batson) Your question again, please?

24 Q But historically -- let me let you look at AGL's
25 response to staff's tenth set of data requests in 8390-U.

1 Does the first page of that represent the report of AGL to
2 the staff on what lost and unaccounted for has been
3 historically?

4 A (Witness Batson) This looks like a historical
5 lost and unaccounted for percentage, yes, sir.

6 Q Could you kind of read those from about -- about
7 1996 coming forward.

8 A (Witness Batson) Coming forward from 1996?

9 Q Yes.

10 A (Witness Batson) 2.21, then it was 1.75, then
11 .74, then 1.5, then 2.51. If you go back to '88, it was
12 2.8, and if you look at '92 or '91, it was 1.52. So it
13 varies up and down.

14 COMMISSIONER BAKER: Is that an averaged annual
15 percentage?

16 WITNESS BATSON: Commissioner Baker, I don't know
17 exactly what they used to gather these numbers. The 2.8
18 that we quote is the DOT report. Here I see method shows
19 DOT report through '98, the '99 and 2000 numbers, it says it
20 came from true-up, I think. Then you've got a little bit of
21 an apple to an orange, but I know the DOT number that we
22 last reported was 2.8.

23 COMMISSIONER BAKER: Okay, but I mean these aren't
24 on a monthly basis?

25 WITNESS BATSON: No, sir, it is an annual basis

1 which we report in July, yes, sir.

2 BY MR. HAWES:

3 Q Mr. Batson, since you went back and read '88,
4 let's just start up -- Why don't you just read the whole
5 list from '88 to '92.

6 A (Witness Batson) Do you want me to read all the
7 numbers I'm looking at?

8 Q Just read starting at --

9 A (Witness Batson) '88 -- '86 is 1.4, '87 is .9,
10 '88 is 2.8, '89 is 1.07, '90 is 1.44, '91 is 1.52. Then we
11 started at '92, so...

12 Q So you just picked out the 2.8?

13 A (Witness Batson) I wanted to make sure it was
14 clear that it has ranged up and down as you wanted to make
15 sure in a particular year as well.

16 Q And what is it now?

17 A (Witness Batson) Last July I believe the number
18 that was reported as 2.8.

19 Q So what do you attribute the -- I'm going to
20 characterize it as a rise. Do you see it as rising?

21 A (Witness Batson) I don't know. I'm not enough of
22 an expert in lost and unaccounted for to tell you whether it
23 is rising or not, and it takes several -- you'd have to look
24 at several years of data to understand what is a trend. And
25 so many things affect lost and unaccounted for. I'll give

1 you a couple of examples. There could be many more. One
2 would be construction and cut lines, and the size of the cut
3 line. If in any given year they cut service lines more,
4 which are smaller lines, 5/8ths inch lines, you have much
5 less gas pass out of that. If someone were to cut a 12 inch
6 high pressure gas line, you can imagine it would be a good
7 bit more gas. Also the meters themselves. Meters are not
8 100 percent accurate. I'd go back to Commissioner
9 McDonald's point that you can't -- what can you pay for.
10 You pay for the most accurate meter that you can get out
11 there, but you can't -- it will not be 100 percent. We buy
12 no meters fast so when we set a requirement on a purchase of
13 a meter, it's set within 2/10ths, but over time a meter may
14 well slow down. So if you look at all 1.5 million meters,
15 if they are registering 99 percent, let's say, on an average
16 of all the gas that goes through them, that would account
17 for one percent of what is called lost and unaccounted for.
18 It's just your inability to pay for a 100 percent accurate
19 meter. And there are many other things that might account
20 for lost and unaccounted for.

21 Q Let's run down through that and also maybe a few
22 of those to kind of see how it's handled. When a line is
23 cut -- and I'm just going to take the example of by a third
24 party, a contractor or something cuts a line, and gas is
25 flowing out of that, high pressure or low pressure, who is

1 charged for that gas that's lost? Does it go to lost and
2 unaccounted for?

3 A (Witness Batson) I believe it would, but I don't
4 know the answer to that.

5 Q Well, assuming that your answer is right that that
6 goes to lost and unaccounted for, why doesn't the third
7 party pay for it and not the customers?

8 A (Witness Batson) I don't know the answer to that.

9 Q I assume you get damages from the person who tears
10 up your line?

11 A (Witness Batson) There are damages. I don't get
12 involved in damage billing, so I really don't know how that
13 is handled.

14 Q Does anybody else on the panel know how it is
15 handled?

16 A (No response.)

17 Q So basically if a third party tears up the line,
18 they would be expected, I presume, to compensate you for
19 repairing the line, but the customers have to pay for all
20 the gas that's lost?

21 A (Witness Batson) Again, I don't know how it is
22 actually billed.

23 Q If that is the case, would you consider as a
24 company having that third party pay for that gas?

25 A (Witness Batson) Are you asking if there is a

1 damaged line would we consider billing the person damaging
2 the line for the gas?

3 Q And not billing the customers?

4 A (Witness Batson) I don't know if we could do that
5 or not. First thing is you can't determine whose gas it is.

6 Q How did you -- Before the deregulation act, how
7 did you handle this situation?

8 A (Witness Batson) I do not know.

9 Q What about the question of meter theft. There's
10 been some discussion on that, on some gas thefts through
11 meters. I heard you testify, I believe, that you determine
12 where that is that's taking place. Do you keep records on
13 how much that is and where it is?

14 A (Witness Batson) I don't know what all records
15 they keep. I know if a meter shows consumption on an
16 inactive meter, in today's world we've implemented a new
17 meter programming assist there. There is a new plan in
18 place called delayed match, and within delayed match there
19 is some computer programming that actually goes forward and
20 checks and creates a printout for consumption on an inactive
21 meter. Now, it has a certain amount of tolerance of someone
22 not being at home, or there might be a pilot light burning,
23 it would not -- that would not create a, quote, consumption
24 on an inactive meter, but the use of it would create that,
25 and then the field service person would go to that home to

1 determine whether they were using gas or not using gas, and
 2 were they appropriately using it or not using. They would
 3 say, have you turned them on, or have they turned themselves
 4 on. If they turned themselves off (sic), it would be turned
 5 off and locked and so that's the way they would handle that.
 6 They would fill out a report at that point. So they do
 7 keep track of consumption on an inactive meter.

8 Q Keeping track of it, but then do they -- I'll just
 9 call it insist to the extent of the law that the people who
 10 took the gas pay for it.

11 A (Witness Batson) I don't know how they handle
 12 whether they prosecute or not prosecute. What we do is we
 13 turn that gas off, and if necessary we remove that meter.
 14 That's usually the incentive required to have the customer
 15 pay the back bills and then pay to be turned on so that they
 16 are paying for the gas that they are using.

17 COMMISSIONER BAKER: Well, isn't it true there
 18 hasn't been a prosecution or a complaint filed in five years
 19 or more?

20 WITNESS BATSON: I don't know the answer to that,
 21 Commissioner Baker. I just know that this same group of
 22 people have been handling for the last three or four years,
 23 five years. So it's been handled the same way. It hasn't
 24 changed as a result of deregulation in any way that I am
 25 aware of.

1 BY MR. HAWES:

2 Q But is it your understanding, Mr. Batson, that
3 whatever gas is used by those unauthorized meters that that
4 becomes lost and unaccounted for gas as well?

5 A (Witness Batson) I think that is so, but I do not
6 know that for a fact.

7 Q And do you know the volumes of such gas?

8 A (Witness Batson) I don't know the total volumes.
9 I know it's less than 1/16th of lost and unaccounted for,
10 is my understanding when I answered the question of -- I
11 think Commissioner Baker originally asked that question and
12 my understanding was 1/16th of the total amount of the lost
13 and unaccounted for.

14 Q So it is measurable by somebody?

15 A (Witness Batson) It is measurable.

16 Q All right.

17 A (Witness Batson) But it is often very hard,
18 number one, to bill and/or assign it to whom was taking the
19 gas. That's your real difficulty there. You can measure
20 that it went. You can say who was in there, that person can
21 also say I didn't turn it on. You get into numerous issues,
22 but yes, it's measurable. It's hard to determine who it is
23 measured to.

24 COMMISSIONER BAKER: Could I just ask, what is the
25 company's policy as far as when they actually remove the

1 meter set if gas has been disconnected to a location and the
2 security lock has been broken, once or repeatedly? Is there
3 a policy that after the lock is broken once and somebody
4 illegally turns the gas back on that you just remove the
5 entire meter set?

6 WITNESS BATSON: I don't know that there is a
7 policy, Commissioner Baker, but that's pretty much the
8 practice. We have what we call -- first of all, there's a
9 barrel lock that would go into the off an on. People will
10 break that off.

11 COMMISSIONER BAKER: After they do that once?

12 WITNESS BATSON: If they break that off, they will
13 either remove the meter or if necessary, if they think it is
14 a good solution, they'll put what's called a collar lock,
15 which is much harder to tamper with, but still has the same
16 effect of preventing usage. So they would either go to, I
17 guess, a more secure locking, which is a much more expensive
18 locking mechanism, or actually removing the meter. The
19 problem with just removing the meter sometimes is that they
20 will then go to bypass things in a much more dangerous way,
21 whether they would use a bicycle tire or they might use
22 various ways -- I say tire, but the tube itself -- a hose,
23 or various other ways that are certainly not safe for the
24 customer and it might encourage bad habits, but it is taken
25 away if that is the right solution. But that is one of the

1 solutions.

2 BY MR. HAWES:

3 Q Let me see if I understand how the system works.
4 I don't know, but your meter, I assume, if you can measure
5 who is taking gas unlawfully from the system, that meter is
6 out there in front of somebody's house or something, right?
7 I mean, you know where the problem was?

8 A (Witness Batson) You know which meter that was
9 not on that actually registered gas, yes, if it registered
10 on the meter. The way you would know that gas was stolen,
11 if you got there and they were not using the meter, you'd
12 see a device that was improper. But at that point you don't
13 know the measurement of the amount, but you know it was
14 taken without authorization.

15 Q And we I guess know from Commissioner Baker's
16 question that the people who are behind that meter are not
17 pursued to collect that amount that goes into loss and
18 unaccounted for?

19 A (Witness Batson) Again, I'd be glad to try to get
20 the answer for you to that, but I don't know the direct
21 answer. Again, trying to determine who actually is
22 responsible and who you would try to attach it to is usually
23 the biggest part of that challenge, not knowing that a
24 certain amount went through there.

25 MR. HAWES: Mr. Chairman, I would like to make a

1 hearing request then that that information be provided so
2 that we could have it for the record, and also the
3 information regarding the measurement of -- I'll call it,
4 what, unwanted use of gas -- unlawful use of gas, whatever
5 we want to --

6 WITNESS BATSON: So you want to know the amount of
7 consumption on an inactive meter, is that --

8 BY MR. HAWES:

9 Q Is that what you call it?

10 A Yes, sir.

11 Q Yes, that information.

12 A And what was the other request?

13 Q That was the primary one. I forgot. That'll do.
14 (Laughter.)

15 BY MR. HAWES:

16 Q What about when a request comes into cut off a
17 meter or cut something off and you don't get it quite turned
18 off at the right time and there is some delay on it? You
19 don't charge a person beyond the time that the -- for the
20 gas that flowed beyond the time that you requested to cut it
21 off, do you?

22 A (Witness Batson) Would you repeat the question
23 again please?

24 Q Yes. On the cutoff, if you do not -- if the
25 company does not cut off the gas at the requested time, does

1 the customer have to continue to pay for that gas or does
2 somebody else pay for it?

3 A (Witness Batson) I don't know the answer to that.
4 When we receive a disconnect notice there is a time frame
5 which we are to enact on that disconnect. It is normally I
6 believe five days. Currently we are still in a ten day
7 window because of the unusual amount of SNOPs that were
8 there. So it's cut off within that window I think is what
9 is appropriate.

10 Q But you don't know whether the customer continues
11 to pay for the gas after the requested date?

12 A (Witness Batson) I don't because I don't bill
13 that customer.

14 Q Okay. Does the marketer pay for the gas that
15 flows in?

16 COMMISSIONER MCDONALD: The customer is going to
17 pay for the gas until its read and cut off.

18 BY MR. HAWES:

19 Q Yeah, so therefore if it is not cut off for a
20 certain number of days, then that gas continues to flow and
21 I guess the question is does the customer pay for it or does
22 the cutoff date control the date through which the customer
23 pays?

24 COMMISSIONER MCDONALD: They are one in the same.

25 MR. HAWES: Not necessarily. If the customer asks

1 to be cut off and wants his gas cut off and it is not cut
2 off and it continues to flow for an additional period of
3 time, who pays for the gas? Does the customer have to pay
4 for it even though he wanted it cut off?

5 COMMISSIONER MCDONALD: The dispute is between
6 marketers and customers that we handle all the time.

7 MR. HAWES: If the loss is --

8 CHAIRMAN BURGESS: What Mr. Hawes is getting at
9 is, you know, they send me a bill, a final bill. I don't
10 pay. Then they eventually cut my service off. Well, I've
11 consumed some gas during that time period from when I got my
12 last bill with a notice saying if you don't pay immediately
13 we're going to cut you off. Until somebody renders me
14 another bill the question is who pays for that gas during
15 that time period. I think that's what he is asking unless
16 that marketer generated another bill back to that customer
17 after they were cut off. Where does that go?

18 MR. HAWES: And of course the lost and unaccounted
19 for is a nice convenient place. I'm trying to see what goes
20 in that basket.

21 COMMISSIONER BAKER: Can I ask how big is -- I'm
22 just wondering, how big is the basket? That's what I guess
23 my -- are we putting a lot of time and effort into something
24 that's a million dollars or ten million or fifty million?
25 How big is the basket?

1 WITNESS BATSON: I don't know that. I think we
2 can quantify that for you by looking at the amount of lost
3 and unaccounted for. Specifically here you are not just
4 addressing lost and unaccounted for, you're addressing,
5 quote, consumption on an active meter, which I said would be
6 about a sixteenth of the total.

7 COMMISSIONER BAKER: I guess the question I have
8 is what is the total?

9 WITNESS BATSON: I don't know that answer, Mr.
10 Commissioner.

11 BY MR. HAWES:

12 Q Would you accept subject to check the total is
13 7,861,914 decatherms lost gas last year?

14 A (Witness Batson) Is that a number that you're
15 stating?

16 Q I'm asking you.

17 COMMISSIONER BAKER: What's your source for the
18 number, Mr. Hawes?

19 MR. HAWES: Data request response -- first set of
20 data requests.

21 COMMISSIONER BAKER: Okay, from the staff.

22 MR. HAWES: Staff.

23 WITNESS BATSON: The number is 7.8 million. It
24 says 12 months ended June 30th.

25 COMMISSIONER BAKER: There's no dollar figure

1 there as far as what the estimated cost of that gas is?

2 BY MR. HAWES:

3 Q That's just decatherms. How would the dollar be
4 determined? Maybe you can just tell him that question.

5 A (Witness Batson) I could get someone to determine
6 that for you, Mr. Hawes. I don't know.

7 Q It's by the cost of the gas at what amount?

8 COMMISSIONER BAKER: Whatever the price of the gas
9 is at the time.

10 MR. HAWES: I think that's right, yeah.

11 COMMISSIONER BAKER: Can I ask also, what
12 contributes most to lost and unaccounted for gas? What's
13 the largest contributor to that amount?

14 WITNESS BATSON: Commissioner Baker, I really
15 don't know the answer to that specifically. Based on the
16 things that I've named, clearly how accurate can the meter
17 be has an impact on every residence.

18 COMMISSIONER BAKER: I know, but is that a -- does
19 inaccurate meters contribute five percent to the total or
20 does it contribute 50 percent? There is a big difference
21 and I'd like to -- I was just curious, what is contributing
22 -- what are the factors that contribute most to that gas
23 that is lost and unaccounted for?

24 WITNESS BATSON: I don't know. We could look at
25 trying to give you some breakdown of that number to the

1 extent that we can.

2 CHAIRMAN BURGESS: I think that's in order. That
3 would be important information. If somehow you quantify --
4 I think you said one-sixteenth --

5 WITNESS BATSON: Yes.

6 CHAIRMAN BURGESS: -- was due to -- was in one
7 bucket.

8 WITNESS BATSON: Yes, sir. The consumption on
9 that meter.

10 CHAIRMAN BURGESS: We're trying to get a handle on
11 what's the biggest. Is it people hitting the lines or gas
12 escaping or is it leaks, just overall leaks in the mains or
13 distribution system, I mean, how much falls in those
14 buckets, and Commissioner Baker is asking which is the
15 biggest bucket.

16 COMMISSIONER BAKER: And the reason why I am
17 asking that is I'm curious to find out. I'd like to have a
18 breakdown percentage-wise as to what goes into lost and
19 unaccounted for gas, theft, inaccurate meters, line loss,
20 leakage, that kind of thing, and I guess one of the
21 questions is that, you know, we've been, the ratepayers,
22 have been putting a lot of money into improving the
23 distribution and main system in this state. I would like to
24 know if there has been any improvement. There should be a
25 darn improvement in what's been going on as far as the

1 operation of this distribution system, and if there isn't, I
2 sure want to know why there isn't because we're dumping a
3 lot of money into the ground, and it should be improving
4 because the system definitely had some serious problems with
5 leakage throughout the entire system, and I want to see if
6 that overall is improving.

7 WITNESS BATSON: By looking at the percentages and
8 the areas it is lost in.

9 COMMISSIONER BAKER: Right. I don't know if you
10 do that by pool group or delivery group, or how you do that,
11 but hopefully you would see some market improvement. If 50
12 percent of your lost and unaccounted for gas is attributed
13 to line loss, I would hope that there would be a significant
14 improvement if distribution mains have been replaced in a
15 certain pool group or area.

16 MR. HAWES: If I may approach the witnesses one
17 more time for clarification, Mr. Chairman.

18 BY MR. HAWES:

19 Q You earlier viewed this document which is the AGL
20 response to staff's data request to 8390-U, given
21 percentages of lost and unaccounted for historical over the
22 years. Do you recall that method?

23 A (Witness Batson) Yeah, I recall that.

24 Q Just a clarification question. Are those
25 percentages total throughput are those percentages as

1 applied to firm?

2 A (Witness Batson) Mr. Hawes, I don't know that
3 specifically. I believe it is total throughput, but I'd
4 have to verify that. If you'd like for me to verify that, I
5 would.

6 Q Please, if you would, just so we have the right
7 number and are supplied the right thing.

8 A (Witness Batson) Okay.

9 MR. HAWES: That's all I have. Thank you, Mr.
10 Chairman.

11 CHAIRMAN BURGESS: Mr. Quintrell, is he still in
12 the room?

13 MR. HAWES: He's not.

14 CHAIRMAN BURGESS: You're going to have to vouch
15 for him on that, Mr. Hawes, he's gone.

16 MR. HAWES: He's fast.

17 (Laughter.)

18 CHAIRMAN BURGESS: Mr. Jones.

19 MR. JONES: I've for a tough act to follow.

20 MS. O'LEARY: (Inaudible)

21 MR. JONES: I meant you though, I didn't mean him.

22 Gentlemen, I know Mr. Batson, and I know you
23 generally. My name is Clay Jones. I represent marketers
24 Shell Energy, New Power, PS Energy and Infinite Energy, and
25 I'm going to direct my questions to the panel. Anybody who